

STRATEGY
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"NATION BUILDING IN PALESTINE – THE TIME IS NOW."

BY

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USAWC STRATEGY RESEARCH PROJECT

“Nation Building in Palestine – The Time is Now.”

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ABSTRACT

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If we consider the future of US National Security Strategy solely in light of the fight against international terrorism in response to the horrendous 11 September World Trade Center attack, we could fall victim to perceiving US relations in what ultimately must be multi-dimensional engagement. In fact, US Secretary of State Colin Powell declared 26 September that we do not have the luxury of dealing individually with one foreign policy issue at a time. That being said, it may seem counterintuitive to pursue relations now with a non-state, especially one in conflict with one of our closest and enduring allies, and currently perceived as one who at a minimum may condone terrorism, and at the extreme may in fact be supporting international terrorism.

A plethora of studies, symposiums and conferences, and scholarly analyses have attempted to define the appropriate transformation of a Third World nation into global society. One school of thought postulates that by first developing political institutions -- those with duly elected officials, fair laws, and transparent economies that encourage social participation -- we will in turn create modern and equitable economic systems. The second school postulates that the introduction of international business -- with the associated need for greater openness for information and materials, the desire for fair taxation and a voice in price determination -- will result in a call for more democratic forms of government. In the case of Palestine, it does not matter. In fact, progress in global integration can and will be achieved pursuing both forms of development simultaneously.

I will attempt to reach several results in this monograph. First, I will delineate why a US-Palestinian relationship fits into US national security objectives. Second, I will examine why overall engagement with Palestine is needed and within our national security objectives. Third, I will analyze how we are effecting desired change in

Palestine now. Finally, I will attempt to develop a framework for actions we should be planning now to ensure the eventual evolution of a viable Palestinian State.

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“NATION BUILDING IN PALESTINE – THE TIME IS NOW.”

Despite the fact that the dominant focus of the US is, and certainly must be, the eradication of the terrorist cells and the states that support them, it is foolhardy to believe we can do so at the expense of all other foreign policy interests. A future Palestinian State is undeniable. The creation of a Palestinian State is essential to eliminate the plight and poverty of millions of Palestinians currently living within refugee camps. It provides the opportunity for those living in the Diaspora to return to a homeland from which they have been excluded for more than half a century.

But, we should not be as disingenuous as to suggest that the creation of a state for the Palestinian people is in and of itself a goal worth pursuing. The US must identify our own strategic objectives for facilitating -- both in terms of expending our own political capital and utilizing our own national treasure -- to bankroll such an effort. We must acknowledge that it may ultimately be necessary to change our approach towards the Middle East not because of our strengths and the extent of our coalitions and the current levels of cooperation, but because of what we do not have, or are losing in terms of future influence. Despite the strength of the 1990-91 coalition against Iraq, support for our current policies prior to the war on terrorism was waning. Despite the promises of Palestinian-Israeli peace following the war against Iraq and the rapid culmination of peace plans, little progress has occurred. The goals of the US, which influences much that occurs in the Middle East, are considered by many within the region as counter to their own social, national and regional desires. It may take bold steps to again invigorate the process.

US foreign policy has long been a two-pronged process. On the one hand, US diplomacy has been focused on pragmatically addressing problems as they occur. On the other hand, the US has also sought to seek development around the world based on the belief that improvement in standards of living creates the conditions from which more stable societies grow. This uniquely American approach utilizes idealism, social engineering and developmental thinking to facilitate growth.¹

Within the construct of the Middle East, the US may not have the luxury of waiting for, or reacting to, regional events as they occur. A lesson often repeated in terms of

ongoing involvement in the Middle East is that the US must either be involved proactively on our own terms or the negative nature of events in the region will dictate our involvement.² In addition, we must be cognizant of the fact that if we fail to deal with troubled nations, we should not be surprised if they develop problems with refugees, harbor terrorists and criminals, threaten resources or create other forms of regional conflict. The US needs to develop and gain consensus for its policy in the region. Only by so doing, can we convince regional governments, who for so long have seen evidence of US one-sidedness in the Palestinian-Israeli conflict, of our willingness to deal with regional issues in an evenhanded manner. This must include support for a Palestinian state.

Furthermore, as most Palestinians now view statehood as the minimum requirement for negotiations, few other agreements can be reached on water, settlements, border delineation, the economy, refugees, etc., unless and until statehood is addressed.

Contrarily, there is no reason why the initiatives for social development should not proceed even in the absence of political dialogue or progress. Irrespective of the goal of US regional policies, within the smaller construct of what needs to be done in and for the Palestinians, the necessary requirements for social, political and economic development are daunting. Development will require the integrated efforts of the world's finest economists, city planners, sociologists, legal experts, industrialists and entrepreneurs to succeed. In fact, it may be too late to achieve success. It is not however, too late to try. It is, after all, the fair and right thing to do.

As an introduction, we should recognize the final status issues that must be addressed to achieve an acceptable final agreement. A summary of the issues follows.

- Borders – The ultimate solution must be final and not open to further renegotiations.
- Water – Current allocations are not equitable. Only through cooperation, both in terms of use and maintenance of environmental standards, will economic viability for a Palestinian State occur.
- Settlements – There will be a need for various actions to fully deal with this problem. Some settlements will be closed, others reorganized into blocs, and

minor alterations of the current West Bank and Gaza (WBG) territories will assure the result that most future settlements will exist within Israeli sovereign borders.

- Refugees – Israel will not permit a significant return of Palestinians into Israel. The solution to their return to the region must be settlement in the WBG or in surrounding Arab states.
- Jerusalem – The center of three great religions will serve as the capital of both Israel and Palestine.

I believe that while these are clearly the most focused-upon final status issues, it is impossible not to consider other equally important concerns. These include economic development, democracy and governance, and the role of the Department of Defense (DoD) and public diplomacy as a process to utilize an interagency approach to the evolution of the Palestinian State. Within this paper, I hope to achieve a synthesis of these issues and present a practitioner's approach to what can be done now, based on the fact that it will have to be done ultimately. The nature of the formation of the state, not the state itself, is at issue. How the agreement will mature is unclear, but it will occur by negotiation, unilateral declaration, or international intervention. The precise boundaries of Palestine can only be guessed. Specific water allocations will occur, but the parameters are not known. The number of returning Palestinians is not clear. But it is certain that there will be a state, with water requirements exacerbated by returning Palestinians. We should be building the support infrastructure now to create the conditions for a stable state, capable of supporting itself within the bounds of international legal norms.

The willingness of the Palestinians to give up the half-century conflict with Israel and to focus instead on the development of a viable, independent, democratic and peace-loving nation is similarly unknown. The ability to settle their own internal disputes, either by force or democratically -- both in terms of the direction of their future state, as well as a consensus approach to dealing with their neighbors -- is also somewhat doubtful. What is not in doubt, however, is that if they are able to forge a common approach to the future, they will need assistance, and the US/West will have

the prime responsibility to positively assist the creation of a viable, democratic state. It is our opportunity now to plan for that assistance.

Some may propose that an international or multi-agency approach will be ill focused and will create a diluted approach to engagement in Palestine. Perhaps it would be better, they suggest, to combine resources and focus on economic development, creation of a more supporting physical infrastructure, and the creation of a strong democracy. This is shortsighted. The potential of momentum building should not be under estimated. By fostering cooperation at the lowest levels and building upon the implementation of low-level projects, improved trust and confidence can lead to further, more robust, cooperative efforts. The focus of engagement must be to create or strengthen indigenous organizations to support future progress and to improve the capabilities of domestic workers -- its human capital.

Bilateral, multilateral and interagency approaches do not need to be seen as separate initiatives. The US can pursue bilateral improvements while simultaneously seeking improved relations on a multinational front. In fact, it can be argued, that improvement in a bilateral sense without the glue of some anticipated improvement, or at a minimum a planned multilateral objective, is destined to achieve little.

A Palestinian state can in and of itself be a precursor to the development of complete state-like functions. A "negative" self-fulfilling prophecy is in effect today. Until there truly is a Palestinian state, the Palestine Authority (PA) is easily viewed as an illegitimate political entity that can negotiate the desires of a state, but is unable to formulate, ratify, or institute the full support mechanisms of a state. Conversely, without a state, the Israelis doubt the sincerity of the non-state Palestinians to guarantee security. So, no state...no negotiations...no security...no willingness to grant a Palestinian state....

US STRATEGY

Prior to reviewing the history of Palestine, and describing our current efforts to bring about peace and stability and to encourage the development of a Western-oriented society, and recommend actions necessary to facilitate such development, we

must determine if such development is really within the US national objectives. Why is Palestine important to US strategic objectives? Not only is US facilitation of a Palestinian State the right thing to do, but also it must be in our national interests to do so if we are to expend the resources necessary to bring about a just and lasting solution.

Perhaps the most misunderstood and misused term in the political science lexicon is the concept of strategy. The inability to agree on a definition of the idea causes confusion and inaccuracy in the explanation and pursuit of national objectives. Strategy serves as the nation's master plan for the use of all elements of power -- political, economic, geographic, diplomatic, technological, psychological and the military -- to secure our national interests and priorities. Strategy requires a purpose to have meaning. It is meaningless to have a national concept if a government has no ultimate goal (e.g. maintenance of world peace, access to free trade, etc.) that it desires to achieve. Without an objective, strategy is merely an academic exercise and an attempt to quantify or characterize ongoing governmental activity. Strategy is forward looking. It is proactive in that it seeks to form and shape the future for the good of the nation rather than reacting to unexpected incidents and events. Further, it is the starting point for the development, analysis, and pursuit of security policies, programs and budgets.³

Why should the US even be involved in the Middle East region at all? Peacetime engagement seeks to: promote peace, instill democratic values, promote development, enhance friendly relations between nations, and to establish, enforce, and operate within an acceptable band of turbulence, tension, and conflict. It is an inter-agency approach involving political, economic, geographic, informational, and military elements of national power to maintain stability and to increase US access and influence in order to achieve national security objectives.⁴

US political and economic domination in the Middle East is likely to continue. The US has been the one country able to show the commitment and capability to utilize its military force to defend its regional interests. The vast superiority of its military weaponry makes its equipment the most sought after. US regional leverage is also substantial due not only to its level of aid contributions, but its influence over other global aid contributors and those who are likely to extend financing and loans to the

region. While it may be important for the Palestinians, Israel, and the US to reach a peace settlement, with or without one, the security concerns of the US will remain the same. We will protect Israel; we will seek unfettered access for our allies and ourselves to oil. We will seek to control the proliferation of Weapons of Mass Destruction (WMD) while maintaining free access to air and waterways. Reaching an accord will assist the US to maintain its other regional objectives.⁵

It is important, however, to align these obvious ideals with the specific objectives outlined within our national strategy and policy documents. Within the Clinton Administration two sequential National Security Strategy (NSS) documents entitled "A National Security Strategy for a Global Age," and "A National Security Strategy for a New Century" clearly depict US regional goals and objectives, which predict that we can and will support the creation of a Palestinian State. In a general sense, overall US policy objectives can be summarized to include those below.

In this age, America can advance its interests and ideals only by leading efforts to meet common challenges. We must deploy America's financial, diplomatic and military resources to stand up for peace and security, promote global prosperity, and advance democracy and human rights around the world.⁶

The elements of engagement -- adapting alliances; encouraging the reorientation of other states, including former adversaries; encouraging democratization, open markets, free trade, and sustainable development; preventing conflict; countering potential regional aggressors; confronting new threats; and steering international peace and stability operations -- define the Nation's blueprint for a strategy of engagement.⁷

Based on these general guidelines, any time the US pursues policy that improves freedoms, expands democracy, enhances economic development, prevents conflict or promotes peace, the policy is in alignment with national security objectives. If the policy changes and recommendations proposed in this paper will facilitate improvement in any of these areas, and the reader must be the judge, then the creation of the State of Palestine falls within the general objectives outlined in the NSS.

But this general approach is really too vague to be used to justify US involvement in and support of a Palestinian state. Both documents outline objectives specifically

encouraging development in the areas that the US sees as beneficial to the maintenance of a strong global environment. These include democracy and the development of a functioning legislature and judiciary, refugee assistance, economic development, human rights, the promotion of peace and good governance.

The US clearly and specifically seeks to expand democracy. We state:

This commitment to see freedom and respect for human rights take hold is not only just, but pragmatic.... The sometimes-difficult road for new democracies in the 1990's demonstrates that free elections are not enough. Genuine, lasting democracy also requires respect for human rights, including the right to political dissent; freedom of religion and belief; an independent media capable of engaging an informed citizenry; a robust civil society and strong Non-Governmental Organization (NGO) structures; the rule of law and an independent judiciary; open and competitive economic structures; mechanisms to safeguard minorities from oppressive rule by the majority; full respect for women's and workers' rights; and civilian control of the military.⁸

In terms of assisting and facilitating the repatriation of refugees, our foreign policy guidance comes in terms of the following:

We also must seek to promote reconciliation in states experiencing civil conflict and to address migration and refugee crises. To this end, the United States will provide appropriate financial support and work with other nations and international bodies, such as the International Committee of the Red Cross and the UN High Commissioner for Refugees. We also will assist efforts to protect the rights of refugees and displaced persons and to address the economic and social root causes of internal displacement and international flight.⁹

We seek economic development abroad not solely out of the desire to improve conditions there, but to expand markets and support our industrial base to enhance our own economic prosperity.

The United States has two principal economic objectives in the region: to promote regional economic cooperation and development and to ensure an unrestricted flow of oil from the region. We seek to promote regional trade and cooperation on infrastructure through the peace process, revitalization of the Middle East and North Africa (MENA) economic summits, and our Qualifying Industrial Zone program, which provides

economic benefits for certain countries that enter into business arrangements with Israel.¹⁰ [Furthermore,]

Efforts by the United States to foster sustainable development include: Promoting sound development policies that help build the economic and social framework needed to encourage economic growth and poverty reduction and facilitate the effective use of external assistance [and] debt relief to free up developing countries' resources for meeting the basic needs of their people.¹¹

We attempt to ensure that economic expansion includes all members of a society.

If it fails to do so, then we justify the provision of developmental aid:

In consonance with our values, when a nation that embraces globalization gets left behind, the United States and other proponents of globalization should reach out a hand. Doing so in a manner that promotes not just development, but sustainable development, enhances regional stability, steadily expands the economic growth on which demand for our exports depends, and honors our values, which encourage us to share our wealth with others and inspire growth for more than just ourselves.¹²

The search for regional peace is explicitly delineated as well.

The United States has enduring interests in pursuing a just, lasting and comprehensive Middle East peace, ensuring the security and well-being of Israel, helping our Arab friends provide for their security, and maintaining the free flow of oil. Our strategy reflects those interests and the unique characteristics of the region as we work to strengthen peace and stability.¹³

In addition to our interests in steady oil flows, when combined with our long-term support of Israel and more recent commitment to our Gulf allies, achieving a just, comprehensive, and lasting peace between Israel and the Palestinians has grown in importance.¹⁴

Our goal remains the normalization of relations between Israel and all Arab states. Through the multilateral working groups on security, refugees, water, and the environment, we are seeking to promote regional cooperation to address trans-boundary environmental issues that affect all parties.¹⁵

The efforts of the US are not purely idealistic, but are pragmatic in approach as well. In a form of preventative diplomacy, the US believes that “[h]elping prevent nations from failing is far more effective than rebuilding them after an internal crisis.”

Additionally, we consider that “[h]elping relief agencies and international organizations strengthen the institutions of conflict resolution is much better than healing ethnic and social divisions that have already exploded into bloodshed.”¹⁶

All of these objectives are and should be pursued in the case of Palestine. This paper will outline the strengths of current US policy in regards to Palestine, delineate my modest proposals and recommendations for improving the US-Israeli-Palestinian relationship, and the actions prudent to the realization of more robust development of the Palestinian State.

DEMOCRACY

CURRENT – WHILE NOT “OUR” DEMOCRACY, IT IS STILL DEMOCRACY

Despite popular wisdom, democracy, or at a minimum a modified version of the same, is not absent from Muslim governments. While there is a concept of consultation within Islam, it is not at all the same as parliamentary democracy. National Assemblies do not serve the same functions as parliaments or Congresses in the Western sense.¹⁷ Certainly there are appearances of democratic institutions and practices in countries such as Egypt and Jordan where apparent pluralist political parties exist. But, more often than not, these multiple parties and professional organizations composed of lawyers and teachers are often “encouraged” by the state simply to diffuse power and maintain the status quo.¹⁸

This condition has been somewhat different in Palestine. Despite the belief that the origins of Palestinian democracy began with the 1996 Palestinian Legislative Council (PLC) elections, in fact there is a longer history of democratic leanings. Liberalization of the 1955 Jordan election law permitted universal suffrage to all adults. The formation of the Palestinian National Front (PNF) in 1973 was initiated by West Bank elites to mobilize support for the Palestine Liberation Organization (PLO) to pursue a WBG solution to a Palestinian state. Moreover, the authorization by Israel for municipal elections in 1972 and 1976 legitimized democratic participation within the territories. In 1978 the National Guidance Committee (NGC) was founded to mobilize

opposition to the Camp David Accords.¹⁹ All of these actions signal a desire on the part of the Palestinian populace to utilize democratic procedures to achieve political results.

Occurring at the same time as this maturation in the political process, the expansion of social organizations in the late 1970s, often along democratic lines, solidified democratic presence within the Palestinian society.²⁰ Palestinian NGOs also helped to facilitate the creation of democratic values. Seeking to offset the strong central power of 'Arafat, they have encouraged pluralism and the formation of bureaucratic procedural norms such as voting to pursue their interests.²¹

In more recent times, this gradual development of democracy was formalized in the Oslo II negotiations that called for direct elections so that the Palestinians could "govern themselves according to democratic principles."²² Their elections were to "provide a democratic basis for the establishment of Palestinian institutions."²³

US support for Palestinian democracy has evolved slowly and has taken the form of both public (albeit subdued) verbal support and financial incentives. US policymakers have provided a mixed bag of commentary. In September 1993, Secretary of State Albright stated "You have shown a clear desire to establish a thriving and democratic Palestinian society. In that effort, America wants you to succeed."²⁴ Prior to the 1996 Parliamentary elections, Department of State spokesman Nicholas Burns spoke of the US' "long-term objective of helping to build democracy and rule of law" in Palestine.²⁵ However, even as late as December 1998, in a speech presented in Gaza, President Clinton failed to even mention democracy.²⁶

US financial assistance has sought to provide incentive for the creation of Palestinian democratic procedures and institutions. USAID delineated its goals in the October 1999 Memorandum of Understanding (MOU) with the Palestinian Legislative Council (PLC) which seeks to; strengthen the PLC's administrative and institutional capacity and procedures, enhance legislative and deliberative capacity, develop relations between the executive, executive council and the PLC, and increase interaction with constituents.²⁷ Over time, monetary contributions have been significant. Between 1993-98, the total contribution for democratic development was nearly \$36M, with nearly \$2M provided for the 1996 elections alone. Ten million dollars was allocated for FY 1998 and 1999 and \$17M for FY 2000. These allocations are primarily executed

through the International Republican Institute (IRI) and the Associates for Rural Development (ARD).²⁸

FUTURE – ISLAM AND DEMOCRACY CAN BE COMPATIBLE

The Clinton Administration often expressed the belief that democratic nations are less likely to wage war against each other and are more likely to respect human rights. By encouraging democratic growth and improved economies, it proposed that a safer world would result.²⁹ Despite this Western concept, there is also a street-level belief that democracy and Islam may be incompatible. Many profess fear that an open political system may create conditions where Islamic traditionalists groups -- those thought to be opposed to the West -- may gain position, political influence and power. This view is shortsighted.

It is wrong to think that democracy has no place in Islam. Aside from theory, simple observation illustrates why democracy may have a promising future in Palestine and the region. The fact that the concept of democracy is so widely discussed throughout the region may be because it has merit. Many desire to vote, join political parties, and have responsible representation -- all components of democracy.

We must consider the possibility that the first unifying “democratic” attempt by the Palestinians may produce an un-Western “Islamist” government. While many may not be comfortable with the fact that it is this group who are mobilizing and politicizing the public, their ability to do so is evident. Such mobilization is an essential component of eventual democratization. Contrarily, if excluded, the Islamists themselves are able to continue to state that Islam holds the only answers to the woes of society. Only by including them in the process will they be forced to develop modernizing processes. Their failure to be able to do so will be their ultimate political undoing and illuminate their inadequacies.³⁰

Rather than attempting to dispose of groups such as Hamas, it may be more prudent for the PA to try again (they were unsuccessful during the 1996 PLC elections) to co-opt the group. It has repeatedly been easy for Hamas to alter its stance, often in the direction of increased violence and irredentism, as a means to garner popular support. But as economic progress evolves, and the resultant expected decrease in

discontent, it may be harder for Hamas and others to remain firmly in the opposition.³¹ Fatah also may have to moderate its political positions. While Fatah will, for the foreseeable future, dominate the electoral results, they too may find the need to give up some of their past objectives of violence and liberation in order to pursue trade, manufacturing and tourism, while increasing foreign and domestic investment.³²

Aside from my belief that outside, potentially less democratic, groups must be brought into the political mainstream, in the distant future, after the majority of development aid has been provided to the Palestinian State, the PA may be encouraged to expand democratic mechanisms even more. A process of gradual social participation will develop, as an increasingly economically strapped PA must call on its citizens to fund development through taxation or find that it must grant influence to new segments of society in an effort to acquire private investment. As the public makes continued contributions to government, they will increase their "legitimate" demands on the leadership. A system of policy approval can then result, where the Palestinian citizenry will be capable of assessing how their money is spent. Moreover, they may demand legal forms of redress if money is not spent wisely or as "contracted". In this process then, more public participation results. Would this not be a form of democracy palatable to the West?³³

A regional body exists, which is attempting to create understanding of, and the mechanisms for, democratic governments. The US and the West should promote PA participation in the Warsaw Convention of Democracies. Established in June 2000, this organization is composed of MEAF countries including Algeria, Egypt, Israel, Jordan, Kuwait, Morocco, Qatar, Tunisia, Turkey and Yemen. It seeks to pursue the goal that "government institutions be transparent, participatory and fully accountable" and to promote improved democracy and human rights by encouraging expanded rules of law.³⁴

Improving regional security will further the investment climate and parlay any peace dividend into further economic development. The expansion of the economy will in turn translate into the freer flow of workers, materials, goods, and economic ideas across borders. The flow of democratic ideas cannot be far behind. This flow of concepts may, however, be challenging to the PA. The introduction of improved

economics, foreign investment and expanded communications networks will likely result in demands by the populace for even greater freedoms, more democracy, and bureaucratic responsiveness.³⁵

Perhaps as a specific contribution to the creation of democratic stimuli, the US should create an Expanded International Military and Training (E-IMET)-like school of democracy or a school of legislative concepts and procedures. These types of institutions might be centered on the Near East and South Asia (NESA) Center for Strategic Studies Institute currently operating under the auspices of the National Defense University. The NESA Center's current curriculum includes a three-week mid/senior grade course attended by both military and diplomatic personnel. The instruction examines topics such as globalization, regional strategy, the role of the media, US institutional roles in National Security development, Terrorism, Peacekeeping, Humanitarian Assistance and Disaster Management. A similar program could easily be expanded to include a focus on the development of viable open democracies, economic liberalization, or other regionally specific issues.

US funding can be refocused to enhance the development of democratic institutions. The Department of State Economic Support Fund implemented by USAID provides assistance in concert with our national economic, political, and foreign policy interests to assist countries in transition to democracy, in support of the Middle East Peace Process (MEPP), and to enhance stabilization.³⁶ Department of State Human Rights and Democracy Funds could also be utilized to support democratization and human rights efforts, to support implementation of peace settlements, and to establish national institutions serving human rights and democracy. This fund currently is allocated \$13.5M.³⁷

Furthermore, the United Nations' Voluntary Fund for Technical Cooperation in the Field of Human Rights, which promotes democracy and human rights, could be targeted to provide assistance. This fund seeks to build/strengthen infrastructures to promote human rights, democracy, and rule of law, to provide assistance for the conduct of free/fair elections, and to improve the administration and independence of the judiciary through training, revised legislation, and education. Although a project backlog of \$10M exists, the US has allocated \$1.5M to this fund in Fiscal Year 2002.³⁸

GOVERNANCE

HISTORY – THE CREATION OF A REPRESENTATIVE GOVERNMENT

While the history of the formation of the State of Palestine is illustrative of the development of democratic institutions, the formulation of the belief in representation is the key indicator of the desire to create a democratic society. To understand the significance of the democratic evolution of the Palestinian legislature, the Palestinian Legislative Council (PLC), a brief synopsis of the acquisition of leadership power by the PLO is in order. Following the social fragmentation of the Palestinians between 1948 and 1967—in their own Diaspora—Palestinian leaders recognized the need for representative institutions. The 6th Arab Summit (November 1973) declared the PLO as the sole and legitimate representative of the Palestinian people. As a result, it would be the PLO, not Jordan, which was henceforth responsible for recovering the territories. Egypt soon thereafter transferred its support from Jordan and designated the PLO as their sole representative. The Rabat Conference (October 1974) aligned all Arab entities in support for the PLO and declared the Palestinians had the right to establish a “national authority” in the West Bank and Gaza.³⁹

It has been argued that the fragmented and widespread nature of the Palestinian Diaspora created the necessity for the PLO to diligently work through persuasion, consensus building, and patronage and clientship to produce agreement that represents a non-democratic formulation of policy. In fact, the process of developing these political coalitions necessitates the presentation of opposing viewpoints and the creation of compromise and cooperation -- a completely democratic process. The fact that minority factions, often with minor constituencies, have seats within the PLC is testament to this reality.

The development of a representative organization, albeit one whose power has been usurped/restrained by Yasir 'Arafat, has laid the foundation for a more truly representative government, a process which should be encouraged and supported by the West. The creation of a true legislative body was manifest as a result of the September 1995 Oslo II Peace Accords. This agreement laid out the role and composition of the PLC to include 82 members and a *ra'is* (president) to embody the

council's executive authority. Both of these entities were to be directly elected by Palestinians living within the territories and Jerusalem. The accord stated that the PLC would execute authority over all matters within its territorial jurisdiction, except for permanent status negotiations on the issues of Jerusalem, Israeli settlements, military locations, refugees, borders or foreign relations. Oslo tasked the PA to establish a judicial system with independent courts and tribunals. It authorized the creation of a security apparatus to enforce public order and internal security to include the establishment of a "strong police force". It created an Executive Authority whose members would mostly also be members of the PLC.⁴⁰

The Accords also created mechanisms to ensure the free election of the PLC. The purpose of the January 1996 election was: "to assert the unity of the Palestinian people in the West Bank and Gaza Strip ... and to establish a democratic parliamentary system based on free expression, the freedom to organize... the respect of the majority [for] minority views, human rights, social justice and equality among all citizens."⁴¹

CURRENT – THE GROWTH OF REPRESENTATION

That the pursuit of a democratic legislative process was the stated goal of the PLC was immediately re-enforced and declared by President 'Arafat. During the PLC opening ceremony, he stated: "We are witnessing the birth of a new democracy in the Middle East. We are witnessing a new Palestinian struggle for an independent state, with Jerusalem as its capital."⁴²

Prior to the election of the PLC, 'Arafat sought to create his own constituency and from that group, he hoped, a loyal PLC would evolve. 'Arafat sought out business and professional elites not so much for their financial backing, but for their expertise in handling business and government issues. This broad base had a vast knowledge of and experiences with local conditions -- extremely important to the outsiders, those from Tunis and elsewhere -- who constituted the new Palestinian leadership within the territories.⁴³

During the actual election on 20 January 1996, 670 candidates competed from 16 districts for 88 PLC seats. Fifty-one members would eventually fill these seats from the West Bank and 37 from Gaza, with nearly 70 percent of West Bank eligible voters and

88 percent of those from Gaza participating in the election.⁴⁴ This composition created a result far different than that desired by 'Arafat. Only ten of those elected had been important PLO exiles. The PLC's new speaker stated the body would serve as a factory for democracy and had a mandate to pursue the separation of power between the Palestinian executive, legislature and judicial branches. This desire was based on the PLC self-view that they had been elected to balance the overwhelming power of the Palestinian executive. In one of the first PLC documents, the standing orders (4 April 1996), the PLC adopted strong oversight of the executive. The Order proclaimed it would establish: "The principle of separation of powers [,]... the independence of the legislative authority and its right to legislate and to control and inspect the works of the PA [to achieve]... national independence [,]... and advanced democratic society, and the exercise of sovereignty on the homeland."⁴⁵

How well they achieved this control, they believed, would be the true measure of the extent that democracy had taken hold of the Palestinian society. The PLC outlined the democratic precepts of democracy needed to shape Palestine soon thereafter. The Basic Law, later to be called the Palestinian Constitution, was introduced 15 August 1996 and finalized 22 October 1997 (though it has never been signed by 'Arafat). It created a balance of power and accountability among the judicial, legislative and executive bodies. It called for a state religion. "Islam is the official religion in Palestinian while other divine religions have their respect and sanctity" (Art. 4), while promising equality to all religions (Art. II). It cited Arab unity as an overarching focus. "Palestine is part of the great Arab homeland, and the Arab Palestinian people is part of the Arab nation. Arab unity is a goal which the Palestinian people work to achieve" (Art. I). The Law established the rules of government beginning with the concept that all power originated from the Palestinian people, and should be focused through three branches of government (Art. 2), established parliamentary democracy and pluralism (Art. 5), and established the rule of law (Art. 6). Civil liberties were guaranteed including freedom of thought and speech (Art. 19), media freedom/no censorship (Art. 27), and the creation of a human rights commission (Art. 31). Finally the social responsibilities of the government were defined in terms of care of the handicapped (Art. 22), housing (Art. 23), education (Art. 24), and care of children (Art. 29).⁴⁶

Moreover, the PLC sought to confront the increasing power of the Presidency and to impose political checks, balances and controls on his dominance of the political landscape. Article 5 required the government to report to both the executive and the PLC. Article 50 declared that the President and cabinet are tools “to execute the program ratified by the [PLC].” It went further by establishing that the PLC could remove ministers. It restricted the ability of the President to pick his successor. The President selects, but the PLC accredits diplomats. The President can veto legislation, but the PLC can override this action. It eliminated the possibility of a pocket veto, by automatically ratifying unsigned laws that were returned without comment.⁴⁷

Obviously, ‘Arafat was immediately threatened by the PLC and sought to curb its influence through the creation of bypass mechanisms to overcome the newfound legislative power. Despite the fact that the cabinet was intended in the constitution to be the “executive committee” of the PLC, ‘Arafat ensured that the PA hierarchy composed the executive branch. He built this organization around the top leadership of the PLO and Fatah — all of whom were not elected. In so doing, ‘Arafat was able to ensure that this co-opted group would pursue his objectives, not those desired by the PLC. The cabinet was further emasculated due to ‘Arafat’s proclivity to make most decisions.⁴⁸

As a result, the system of checks and balances between the PLC and the *ra’is* has not developed as designed. ‘Arafat and the executive council totally control the financial and coercive mechanisms within society, and as a result, no individual, group or organization can challenge them. With ‘Arafat maintaining the support of the 13 security services and his position as the minister of the interior, he is able to maintain strict control of political organizations.⁴⁹

In consequence, the PLC complained that an insufficient number of ministers had come from the legislative body. ‘Arafat’s expansion of the cabinet from its initial size of 14 to 23 (1996) and again to 33 (1998) was carried out to still this criticism.⁵⁰

The ongoing conflict between President ‘Arafat and the PLC is not the only illustration of the penetration of legislative/representative precepts into Palestinian society. During the legislative process, PLC members often participate in *warshat ‘amal* (workshops) to caucus and discuss legislation with interested citizens. This is done

prior to the introduction of the legislation to enable the crafting of laws in a manner acceptable to constituents.⁵¹

Despite these initial attempts to create a democratic and responsive legislature, early efforts were not recognized by the Palestinian community. Decreasing popularity and a lack of confidence of the functions of the PLC have been the consequence. A 1996 survey found that 43 percent of Palestinians favored democracy and 64 percent positively rated the performance of the PLC. By 2001, only 21 percent of Palestinians favored democracy and 40 percent positively rated PLC performance. Moreover, the proportion of the general population that believed that government corruption had increased rose from 49 to 83 percent during the same period.⁵² Finally, the mandate of the PLC expired on 4 May 1999. This has created a further loss of credibility.⁵³

In an attempt to improve the staff functioning of the PLC and enhance its reputation amongst the Palestinian populace, the US has recently undertaken several development programs. USAID has funded a \$9M program to expand town meetings, budgetary review, the development of a PLC audio transcription system, and the creation of a parliamentary research unit. Furthermore, the Associates for Rural Development (ARD) is working with the PLC to complete a project designed to expand knowledge on how to conduct public "hearings".⁵⁴ To improve the operation of the Palestinian judiciary, the USAID rule of law initiative seeks to expand the capacity and improve legal education (\$8M) through law libraries and computer labs. Training for judges is also funded by USAID in institutions across the region and in the US. Partnerships between Palestinian law schools and those in the US seek to upgrade WBG law school curricula. A \$2M grant to AMIDEAST is designed to improve the functioning of the legal system by working closely with the Palestinian Bar Association.⁵⁵

FUTURE PROSPECTS – STRONGER LEGISLATURE, MORE DEMOCRACY

Opponents of a strong PLC will state that the body has recently enacted laws and created oversight bodies that seem to oppose the Middle East Peace Process (MEPP). In fact, the PLC has adopted some provocative laws. The law for regulating foreign property ownership addressed in the Foreign Ownership of Real Estate in Palestine -- the "land law" -- passed in October 1997 but not signed by 'Arafat, threatened execution

for those selling land to Jews. Another, the National Service Law, also not passed through the legislative process, was an attempt by the PLC to reduce chronic unemployment, but was seen by Israel as the initial step toward the creation of military conscription.⁵⁶ Also, three PLC committees, the Jerusalem Committee, the Settlements Committee, and the Refugee Committee are nominally not in line with commitments to Israel to leave the PLC out of peace process issues.⁵⁷

Many do not support this position. It can be argued that based upon their own perception of weakness in relation to the executive council, the PLC has become more provocative in its positioning regarding negotiations with Israel. Granting them more internal power and the ability to create state policy positions may create a willingness to adopt more moderate policies and positions.⁵⁸

The populations of regional states have come to accept an interventionist state apparatus. Many citizens support significantly more governmental involvement in their daily lives as a necessity to achieve the interests of most members of society than is the norm elsewhere. Many concede that their leadership has an obligation to utilize state resources to create a viable society. They do not adhere to Western concepts where leaders attempt to limit social intrusion while focusing on the maintenance of law and order, limited regulation of the economic system, and provisions -- for those in need -- of basic health and education. The measure of success of many MEAF governments is seen more in terms of the numbers of jobs created, the availability of basic consumer goods, and the "equal" distribution of economic growth, rather than the creation of absolute equal opportunity.⁵⁹

With this concept as a preamble, I believe that the US may need to become involved now to pre-empt the growth of regime challenges to the PA. Increased Islamic challenges may be attributed to a growing perception that the PA has failed to meet the increasing demands of society. By creating the structure to provide for the needs of the Palestinian population, we may in fact be able to head off a situation of social failure. The actions which must be pursued now to increase the perception that true democracy is present, that the PA is willing to forego power and to strengthen the PLC, and which may eventually encourage foreign economic involvement in Palestine are many. First and foremost, the PA should create a scaled-down office of the Presidency and

empower and transfer appropriate responsibilities to ministers. In this fashion, the President would be less burdened by the conduct of daily business and better able to provide national leadership. Bureaucracies designed to handle routine issues will undoubtedly handle daily tasks more efficiently. The Executive should allow the Ministries to disburse funds not specifically needed to conduct the actions of the presidency. The cabinet should submit timely budgets. The President should encourage local elections and facilitate increased services delivery and tax collection to local agencies.⁶⁰ These actions will encourage initiative, reduce dependency on the Executive, and further the development of ministerial requirements-based policy.

In response, and in support of these actions, the PLC has proposed reforms that can solidify the creation of a democratic and pluralistic Palestinian society. For its part, the PLC should develop a multi-year agenda, review the executive's budget, and continue its efforts to consolidate the divergent domestic laws between the WBG.⁶¹

It is also incumbent to develop a system—constitutionally supportable—for Presidential succession. Especially in light of recent questions concerning the political survivability of President 'Arafat, a clear, unambiguous procedure to transition power is essential to building overall confidence in the PA. Six years ago, the PLC passed a law declaring that the speaker of the parliament would immediately assume the presidency for a period of 40 days following the death of the President. If this were to occur at the present time, speaker Ahmed Korei (Abu Ala) would assume the post.⁶² 'Arafat should immediately ratify this provision.

We must come to the realization that despite all of the negative connotations to the contrary, dealing with the Palestinians through the leadership of Yasir 'Arafat and the PLO is the only prudent approach. Only one individual maintains the support, both internally and in the eyes of the world, to attempt to control the violence, re-invigorate the process of negotiations, and ultimately accept an agreement. This is Yasir 'Arafat. Failing to accept this fact as a form of punishing 'Arafat for the current heightened level of violence will result in no agreement being reached and further violence. As a result, it is in Israel's best—if not only interest—to deal with him. First and foremost, the PLO maintains significant support of those on the streets. Moreover, what is the alternative? Hamas, which receives a predominance of funding from and is arguably under the direct

control of Iran and, based on their own social support mechanisms, is significantly popular to the Palestinian masses? A pseudo-democratically selected PLO may indeed become a true democracy once more credible political institutions are in place.

While the US has long supported 'Arafat as the sole entity able to deliver peace, we have provided insufficient support to the one PA entity that can deliver democracy -- the PLC. Increased democratic processes could slow the peace process based on "too many cooks in the kitchen"; peace and democracy are linked. More PLC involvement in the process would necessitate a more open, more accountable PA. It can be argued that this accountability would make the economy more attractive to foreign investment. A stronger economy would make peace more attractive.

In addition to the monies provided through USAID for democracy building, a sustained series of actions can be easily and inexpensively undertaken to not only signal US support for the nascent democracy, but to further its development. US policy towards the PLC might improve through high level legislative visits and exchanges, continuous US messages in support of increased democratic development, encouragement of Palestinian elections especially at the local level, and support for human rights.⁶³

The judiciary too, must undergo change in order to be a moderating force for the future. At a minimum, the judiciary should; encourage the enactment of the Judicial System Law of 1998, seek an independent Supreme Judicial council, and abolish state security courts. These courts have substituted their judgement for those of the judiciary through the establishment of two mediation and arbitration centers in Gaza and Ramallah.⁶⁴ Furthermore, the judiciary will continue to have difficulty assuming an independent status as long as it remains an administrative body dependent on the Ministry of Justice, itself dependent on the PA.

ECONOMY

CURRENT -- LIVING STANDARDS

In other sections of this paper, I try to weave history into an examination of current conditions and follow with recommendations for future improvement. For the

examination of the Palestinian economy, I felt it was more prudent to look at its recent history, followed by an examination of the shape of the economy after having been drastically changed by the current al-Aqsa Intifada. I feel that this is a more prudent approach based on the fact that the uprising has caused a significant disruption in the development of the Palestinian economy, a pause that will be difficult to overcome.

An examination of the pre-Intifada Palestinian economy finds an environment of rapidly growing requirements, limited capability of the PA to address social needs, excessive public employment, yet an evolving tax system and an environment of improving economic planning.

In terms of a general statistical overview of pre-Intifada Palestine, the following aspects of the Gross Domestic Product (GDP) provide a comparative baseline for what will follow. In 2000, GDP purchasing power parity was \$3.1B. The GDP real growth rate was (7.5 percent). GDP sector composition was agriculture 9 percent industry 28 percent and services 63 percent. The population growth rate was 3.4 percent (2001).⁶⁵

The statistics relating to trade are illustrative of the nature of Palestine's economic dependency on Israel. Trade export value was \$682M (1998), with 96 percent destined to Israel, 2.3 percent to Jordan and 0.4 percent to the United Arab Emirates. The main origins of imports valued at \$2.5B (1998) are Israel 77.2 percent, Jordan 2.4 percent, Germany 1.4 percent, and China 1.4 percent.⁶⁶ Under the Paris Trade Protocol, the Palestinian economy is under the same tax and tariff regimes as is Israel. As a result, those countries that do not trade with Israel, due to the Arab Boycott, trade very little with Palestine. Moreover, those states that boycott trade with Israel also, inadvertently, cause economic hardship on Palestine. The interdependence of the countries is so extensive that the large quantities of Palestinian goods that are exported to Israel face re-export difficulties in terms of them reaching these "boycotting" nations.⁶⁷ The Palestinians themselves worsen this impact by pressuring other countries, primarily the EU, not to accept Israeli goods manufactured in the territories claiming that by doing so they are showing de facto acceptance of the occupation.⁶⁸

The potential for regional economic growth was stunted as well by localized trade restrictions. Goods come into Gaza from Israel and to an increasing extent Egypt, but

shipment of goods from Gaza is tightly controlled. As a result, trade deficits were increasing, robbing the PA of tax revenues.⁶⁹

The inability to create an export capability has been blamed on the vast corruption and inefficiency of the PA. There has been a rapid expansion of the Palestinian public sector and a resultant high level of public employment. These jobs, in primarily administrative and technical fields and the security apparatus, are provided based upon political favoritism and nepotism utilized by 'Arafat to guarantee his personal and political power bases. This sector is a consumer of the GDP, but is a non-productive enterprise, creating nothing to help offset the balance of payments.⁷⁰

The PA has also utilized patronage to reward community industrialists. The PA has enabled the creation of monopolies by those in leadership positions within the PA. Through the granting of licenses and subsidies, the PA has been able to benefit their own business holdings. "The lack of clear development and industrial strategies of the PA has created a vacuum which is rather rapidly being filled by 'private' entrepreneurs [with close links to the PA] and their families. The trade structure that is emerging, especially in Gaza, is of supplies with exclusive rights, making deals with Israeli companies and sometimes dubious individuals, to be single suppliers to the captive Gazan market."⁷¹ These monopolies control much of the flour, sugar, oil, cigarettes, cement, steel, wood and petroleum entering Palestine.⁷²

Outside of the public sector, the economic conditions of Palestine remained extremely stunted. By the end of 2000, 20 percent of those within the WBG had no regular access to electricity. Potable water is not available to 184 villages. Road maintenance is required on nearly 3500 kilometers of roads. The large number of poor Palestinians, with average expenditures 40 percent below the poverty line, portended a very slow improvement in overall economic development within Palestine. Moreover, nearly another 500,000 live at the poverty line; meaning overall 40 percent (1M of 2.5M) of Palestinians are impoverished. This economic distress is illustrated by the growth of child labor. In 1999, those under 18 years of age composed nearly 53 percent of the Palestinian workforce. These workers and their low level of education weigh heavily on future development, especially in an increasingly technological world.⁷³

HEALTH CARE – THE NEED FOR FOCUS

The nature of the Palestinian health care system provided an additional challenge to the PA and aid contributors. Based on its geographical and economic environment, placing it in close proximity to both first and third world nations, the Palestinian health care system has had to deal with both developing country diseases and those more usually found in developed nations. This has significantly stretched health providers.⁷⁴

The nature of the types of illnesses confronting the nation is not the primary reason that the health care system is substandard. Like so many other aspects of its infrastructure and service sectors, health care within Palestine is stratified and fragmented. A significant problem exists between the care provided by the PA and that provided by NGOs, aid donors, and international aid agencies such as the UN. UNRWA's health care focus is on primary care, while that of the PA is on acute care. Additionally, charities and NGOs provide most secondary care (43 percent), but most bed space (58 percent) is found in government hospitals. Despite these challenges, the health care system has witnessed significant growth since Oslo. From 1995-98, primary health care facilities grew by 21 percent. Government facilities experienced 52 percent growth.⁷⁵

For its part, the US has contributed to this growth. USAID has sought to improve primary health care and worker skills through training and upgrades of 25 primary care facilities and provision of medical equipment valued at \$500,000. Additionally, eleven Palestinian health professionals have been funded to study for master's degrees in US schools.⁷⁶

BANKING – THE ENGINE OF THE FUTURE

One of the fastest growing institutional sectors of the Palestinian community since the Oslo accords has been within banking and banking-related activities. In positive terms of institution building, the PA expanded the previously inconsequential banking sector from 2 banks with 13 branches holding \$219M in 1993 to 17 banks with 71 branches holding \$1.7B in 1996.⁷⁷

But banks have been inefficient. Fearing a run on deposits, regional banks maintained high liquidity ratios, resulting in lower business and private lending. The low lending-deposit ratio of only 22 percent stunted both industry creation and expansion of jobs.⁷⁸ To address this problem, the PA established The Palestinian Monetary Authority (PMA) to serve as the state's central bank. The PMA is tasked to improve professional and administrative performance and financial operations and to hold foreign reserves and regulate foreign-exchange dealers.⁷⁹

USAID has attempted to enhance the Palestinian banking industry and to enable it to serve as both a conduit for international investment, and perhaps more importantly, to utilize available Palestinian financial resources to benefit internal investment. USAID has trained local banking staffs to improve micro-loan services and competitiveness of business laws and regulations. USAID guidance resulted in an increase from 10 to 50 percent of Palestinian accountants utilizing international standards.⁸⁰ Bank loans increased to 35 percent of deposits. Nearly 5900 new loans were made, with a repayment rate of 95 percent. These new businesses and industries sold \$100M of goods to new export markets.⁸¹

Thus, immediately prior to the outbreak of the Intifada, it appeared that the PA had potentially turned the corner in terms of creating a functioning economy. The PA had been successful in instituting a tax system. It had established a tax court in 1998, and drafted an Income Tax Law that sought to improve economic activity and reduce the overall tax burden. Public finance reforms were instituted. In early 1998, trade revenues such as import taxes and Value Added Taxes (VATs) were directly funneled to the Ministry of Finance, to improve the perception of accountability and reduce corruption.⁸²

Additionally, based on the efforts of the World Bank's investment/loan arm, the International Finance Corporation (IFC), mechanisms were put in place to encourage development and the creation of jobs. The IFC pursued the creation of the Palestine Mortgage and Housing Corporation as the first mortgage lending option available to the Palestinians. Also, an investment in the National Development Bank Housing Finance Corporation created the opportunity for more modest homes to be available to homebuyers.⁸³ Further, IFC provided 350 loans in the area of micro-business that

created 500 jobs while its \$60M Peace Technology Fund sought to further increase employment. Finally, the IFC invested \$8M in the Palestinian Tourism Investment Company to build an international hotel in Bethlehem to support the infant tourist industry.⁸⁴

The guiding principle of development of Palestine was embodied by the creation of a long-range economic development plan, the 3-year Palestinian Development Plan (PDP) in late 1997. This plan proposed \$3.5B and partially dispelled the accusation that the PA had no viable economic policy.⁸⁵ Many believed that the PA had the potential to create a viable economy, if some basic economic modifications were followed.

If exploited private economic behavior, both indigenous and foreign, could be throttled or eliminated, if the proliferation of middlemen with their attendant usury, speculation, monopolies, and short-term horizons could be halted, then a dynamic, carefully and rationally planned state enterprise sector could, as farsighted helmsmen of the economy, mobilize scarce resources, stimulate markets, adopt new technologies, and rapidly lift the entire economy to a level of self-sustaining industrial growth.⁸⁶

THE INTIFADA – ALL ECONOMIC BETS ARE OFF

The current Intifada (al-Aqsa or Intifada II) has significantly altered the nature of the Palestinian economy both in the current context, and due to its extreme, will likely influence economic development in the medium-term future. As a result, it deserves a short description so as not to misguide the reader that there is or can be a straight-line connection between past economic endeavors and those which we should plan for. The disruption in development may take some time to overcome. Many projects have not only been halted by the Intifada, but have been totally pre-empted.

A year after the start of the Intifada, unemployment in the West Bank reached 26.9 percent in the 1st Quarter 2001. In Gaza it had risen to 34.1 percent. Furthermore, 110,000 of 143,000 Palestinian laborers employed in Israel had been laid off.⁸⁷

The disruption caused by Intifada II has illustrated the inability of many of the PA ministries to address the requirements of the Palestinian public. The ministries have been unable to deal with those who have lost their jobs or the increased poverty that has resulted from those without work.⁸⁸ Specifically in terms of effects on the

Palestinian economy, losses due to violence, border closures and lost jobs have been estimated to be \$2.5B, including a loss of \$60.8M per month in Palestinian labor income, tourism losses of \$5.5M per month, and the cessation of tax revenue transfers from Israel. There is also extensive loss to Palestinian property, buildings, land and agriculture.⁸⁹

The 2001 budget is estimated to include a deficit of \$371M -- a full 58 percent above 2000. The Palestinian economy, despite international intervention, after initial growth expectations of 6 percent, fell 5.9 percent in 2000 and a similar decline is expected in 2001.⁹⁰

The effects of the border closures, loss of employment and wages, and physical damage to the infrastructure have been many and far-reaching. The World Bank estimates that 1/3 of Palestinian population exist below the poverty line, which is a rise of 50 percent since the start of the Intifada. Eighty percent of households have reduced expenditures, with the median household income 50 percent below pre-conflict levels. To make ends meet; Palestinians are selling belongings, depleting savings and turning to basic agriculture for subsistence. For the first time in the region, the UN World Food Program (WFP) has begun distributing food in Gaza, an enterprise normally withheld to war zones and areas near total famine.⁹¹

Not only have individual economic conditions been greatly hurt by the closures but also infrastructure development projects, such as the port of Gaza, the Nablus sewer system and various electrical grid projects have been halted. Agriculture output, due to both Israeli razing of Palestinian crops and the inability of farmers to get to their fields, is on the verge of total collapse.⁹²

In an effort to head off the effects of both the border closures and the violence, the international community has responded with contributions in a number of sectors. Much of the recent donor funding, originally intended for investment in infrastructure development, has been diverted to meet the recurrent costs of the PA, health and education costs, and to create jobs to alleviate the immediate needs of those affected by border closures. The World Bank has allocated \$12M, while the European Union has allocated \$25M with an advance of another \$91M from its 2001 budget. Arab

nations have pledged \$1B (yet have donated just \$180M), while UNRWA has increased funding by \$77M.⁹³

Perhaps the most significant event that could have a long-term debilitating effect on the future improvement of the Palestinian economy is the result of the ongoing brain drain. There exists a notable increase in the emigration of skilled workers seeking better opportunities abroad. The emigration of skilled workers also has a political impact on the Palestinian community. Those with higher education tend to be more liberal, and more willing to compromise to reach a political solution to regional issues. The absence of their moderating influence may result in continued violence being the norm as the younger, more combative, less educated Palestinians remain in the territories.⁹⁴

On a less measurable basis, there has also been a behavioral change by the Israeli business, with long-term implications, based on the restraints imposed as a result of the Intifada. Political uncertainty has caused Israeli companies to shift production of goods to other countries outside of the territories, where stability is better and labor costs are similar. This type of production transfer may be difficult, if at all possible, to turn around.⁹⁵

AID – NOT NECESSARILY MORE, JUST MORE FOCUS

An equally important area to facilitate economic development is the need to acquire and properly channel international aid to address the humanitarian requirements of the Palestinian community. No longer is foreign assistance a function of gratuitous contributions to those in need, designed to create conditions for the successful development of indigenous economies to improve trade and attract foreign investment. More and more, the US and other international donors set conditions on countries such as implementation of sound economic practices and catalysts for expanded democracy in order for them to qualify for contributions.

As it is important to justify overall involvement in the effort to create a Palestine State in relation to our overall national security objectives, so too is it important to determine why US aid dollars should be spent on such an endeavor. To validate its use to US taxpayers, there must be a perceived benefit to the US. Through foreign

assistance, the US seeks to produce economic growth abroad. This economic growth has two facets. First, growth can result in the improved integration of the assisted economy into the world economy. This in turn implies fewer protectionist policies, the transfer of state-owned enterprises into private hands, and improved and transparent tax and investment policies. The second facet comes in the form of improved human resources. Improved economics lead to enhancements in education and training, and resultant synergies for consumers.⁹⁶

Foreign assistance strengthens the US by increasing exports, creating US jobs, and developing foreign markets as aide recipients consume additional goods. By concentrating on the development of a recipient's infrastructure, we create an environment where engineering and US construction firms can benefit. Assistance expands the number of our trading partners by assisting them to achieve political stability. Finally, it protects the US economy by addressing global problems such as disease, environmental destruction, and population growth.⁹⁷

Foreign assistance also aids the US economy. The first and most obvious benefit is based on the fact that the "components" of the foreign assistance -- US food, US-built machinery, technology, and raw materials and components -- are acquired in the US and provided to the foreign governments. The second benefit is less obvious and more difficult to develop. By improving the livelihoods of those receiving US assistance -- achieved by the development of the private sector, trade, and investment -- increased consumerism for US goods in the future is "created".

The need for a unified and centralized effort to focus international aid is large. Often for their own designs or benefits, aid-providing countries design development projects within Palestine that do not maximize aid donations. In an attempt to ameliorate this practice, the international community designated sectoral working groups to facilitate aid distribution. These groups focus in the following areas (with countries/agencies responsible indicated parenthetically); agriculture (Spain/UNDP), communications (France/UNDP), education (France), public works/employment (Sweden/UNDP), the environment (Netherlands/UNRWA), health care (Italy/WHO), institution and capacity-building (European Union/World Bank), infrastructure and housing (Germany/World Bank), police and security forces (Norway/UNSCO), trade

(US/World Bank), public finance (US/World Bank), and tourism (Spain/UNDP).⁹⁸ These groups were designed to focus the efforts of international donors but they also illustrate the stratified nature of external assistance efforts.

The vast numbers of country participants and the diversity of aid programs and projects are not the sole reason for divergent aid design. The aid-providing countries themselves cause divergence of project achievement. It should come as no surprise that international aid donors do not provide aid purely out of a desire to provide benefactor assistance. Rather, they provide aid to achieve their own ends, funding projects that might have some long-term economic benefit, or link aid with the requirement to acquire goods and services from the donor country.⁹⁹ Moreover, project selection is often guided, if not governed, for internal domestic consumption. As an example, US legal restrictions, continuous congressional review, and requirements for certification of PA compliance with the Oslo Accords, are all required for the US to fund aid projects.¹⁰⁰

Based on the overwhelming post-Oslo donor desire to initiate social projects in Palestine, it was clear that a coordinating organization was needed. As a result, the Palestine counterpart to the World Bank, the Palestine Economic Council for Development and Reconstruction (PECDAR) was established in 1994 to track donor assistance and apply it towards needed projects. Later, attempting to plan for the longer term, the PA created its own \$1.2B development framework for 1995-8 run by its Palestine Public Investment Program (PPIP). Some of their initial projects included a Gaza coastal parkway, a harbor in Gaza, municipal infrastructure improvement, housing starts, and school enhancements.¹⁰¹ In the future, the Palestinian Economic Assistance and Cooperation Expansion (PEACE) Facility will allow donors to track their specific contributions and to target their donations.¹⁰²

The United States Agency for International Development (USAID) conducts US aid. The Foreign Assistance Act (FAA) of 1961 established USAID, whose mission: "... contributes to the US national interests through the results it delivers by supporting the people of developing and transitional countries in their efforts to achieve enduring economic and social progress and to participate more fully in resolving the problems of their countries and world."¹⁰³

Specific USAID goals for the WBG include the desire: to expand economic opportunities and access to financial services and markets; to increase access to water including the construction of wells, transmission lines and wastewater treatment; to improve accountability of governance; to enhance family health; to expand community service; and to improve Palestinian infrastructure.¹⁰⁴

With these objectives shaping the US project focus, USAID, by their own metric, has achieved a significant degree of success. Working in concert with the PA, NGOs, US business and other US Government agencies, aid has increased Palestinian GDP growth by 1-2 percent. In terms of GNP per capita, productivity was 6-7 percent higher than it would have been without aid. While initially focusing on institution-building projects in health and housing, US aid has doubled the water supply to 200,000 residents of Hebron-Bethlehem and wastewater treatment to 350,000 Gazans. It has funded 20,000 micro-loans to women, realizing a 99 percent repayment rate. USAID has recently pursued public works and small business projects -- those that create jobs. Finally, it has developed plans for four industrial estates that will employ 88,000 workers.¹⁰⁵

Both international aid and investment will undoubtedly create positive economic development and improved quality of life for Palestinians. But further focusing of efforts is necessary to avoid waste and project redundancy. Moreover, both the PA and donor nations should spend greater effort and focus on project sustainability. The World Bank has stated that the PA is confronted with liquidity challenges and "risks facing a growing revenue gap in the coming years."¹⁰⁶ Coordination is necessary to synchronize foreign aid-financed development projects and those being funded by domestic (tax) resources to avoid duplication.¹⁰⁷ In the extreme, and especially in the current Intifada environment, we must protect against improperly using aid to subsidize food and failing state enterprises that could inadvertently create state dependency.

CHALLENGES AND PROGRAMS

The Palestinian people, in order to assure the maintenance of peace and stability, will need to rapidly see economic benefit from a peace settlement and statehood, and the international community will need to respond to the process with alacrity. Regional

development does not necessarily follow the achievement of peace. Similarly it need not precede the actualization of it. In truth, like bilateral and multilateral development, progress in regional development and peace can and should proceed in parallel and in tandem. The construction of transportation systems, communications links, and better resource distribution will only serve to encourage peace. As the quality of life of the inhabitants increases, more development, and less conflict will be desired. Furthermore, with the development of advanced economic enterprises, Palestine can better attract the best-educated and most financially secure members of the Palestinian Diaspora.

Social Backlash

While the goal of all international donors will be to facilitate the creation of a prosperous Palestine, this opportunity must be approached with caution. We will need to plan, even while re-initiating engagement, for potential backlashes against globalization. A way to prevent this is to spend extra up-front effort to identify and develop strategies to avoid the development of an underclass. Economic reforms are not linear in their capability to improve society and enhance political stability. By their nature, they often can change the “normal” flow of patronage and clientship and as such can be disruptive.¹⁰⁸ The international community must take those actions necessary to benefit as many people as possible during the development of the state.¹⁰⁹ There are several methods to deal with social and economic dislocations. The PA has created the Social Fund for Development (SFD) to deal with dislocations caused by economic reforms, and to focus on those who are left behind by them. The SFD has five components. Public works programs provide labor-intensive employment opportunities, while improving rural infrastructure. Community development programs enable local communities to identify and prioritize development requirements. Enterprise development programs create training and credit for entrepreneurs. Labor mobility and retraining programs can provide financial assistance and placement services. Finally, institutional development programs are designed to improve managerial capabilities.¹¹⁰

In the short term, the establishment of a peaceful environment and a Palestinian state may actually provide the necessary breathing room for IMF-imposed austerity

measures leading to decreased government spending, controls on inflation, and increased savings.¹¹¹ The room for economic maneuver may be created within an environment where austerity and dislocation is acceptable, as the body politic becomes aware that state building and statehood will initially occur in fits and starts. Our concept must be that by allocating funds to improve education and training, newly skilled workers will develop increased efficiency, productivity, and improved living standards.

We may soon find that as the state forms and refugees return to the territories, some changes in the nature of social development may need to occur to avoid social disruption. The growing population puts additional stress on the supporting urban support structures of housing, sewage, garbage, and electricity. Funds designed to improve the infrastructure to attract additional foreign and domestic investment must be directed to provide services. The increasing population will demand additional food and there will be a resultant need for increased food imports. The rapidly growing middle class will soon demand increased goods, services and employment opportunities. Failure to address expectations will create dissatisfaction. Industries must become/remain internationally competitive in order to produce the goods that are needed and to employ the upwardly mobile middle class.

Domestic Consumption

The worldwide effort must initially be focused on meeting the health and basic consumption requirements of the Palestinian people. By focusing domestically, industrialists will gain experience while furthering their knowledge of export and international marketing.¹¹² But, in short order, given the small size of the territories and overall limited consumption capacity, no strong production capability can be created if it is done only for domestic consumption. Thus, it will be important to create the foundations of economic health and the capability to export goods.

Based on the small size of the Palestinian market, there may be instances where the elimination of monopolies and the creation of competition may not be possible. In fact, there may not be a sufficient market to support one company, but for social reasons -- the need for employment -- support of the company may be necessary.

Thus, we may need to maintain some monopolies, even if that seems counter to our own perceptions of open economies.

As Palestinian industry grows, we might find that economic interdependence might grow instead of shrink. As industry starts, Palestinian businessmen will increasingly call on Israel to provide equipment, production inputs, and infrastructure services to Palestine. Furthermore, we may witness that Israel may shift some industry to the territories to take advantage on lower salary and production costs.¹¹³

Investment

To overcome the many needs of the new state, international aid alone will be insufficient. Palestine will need to institute significant economic reform in order to attract both foreign investment and domestically held funds. Economic reform may be the result of internal requirements as opposed to external demands. Peace may encourage domestic entrepreneurs to undertake additional risk through new ventures. Further, the PA may be encouraged to change as a result of the need to rely on tax revenues that become more important given the eventual reduction in foreign donor aid. Moreover, reforms may feed on themselves by rapidly attracting additional outside investment.

The PA must enact a better-defined legal framework to attract investment into a more secure economic environment. The creation of a Gaza free trade zone will help to absorb unemployed workers while encouraging investment and the movement of goods. This agreement between the PA and the European Gaza Development Group is valued at \$62M, and will result in the capacity of 1M tons per year, creating many employment opportunities.¹¹⁴

By improving the infrastructure of the WBG, the PA can create an enabling environment that will encourage foreign investment. To provide economic growth and attract foreign investment, the PA must attempt to reduce its economic dependency on Israel. This could be facilitated by the development of a viable Gaza port, airport operation, and by improving transportation links with Egypt and Jordan. Palestine must create a road network encouraging an integrated WBG to allow for the free flow of people such as the two current “safe passage” routes between Gaza and the southern West Bank. Improved transportation systems will require \$30-40M to create roads and

bridges. This effort, for obvious practical reasons, will not get underway until final settlement agreements are in place. And, until it is completed, long-term economic development will be postponed.¹¹⁵

A further step could improve Palestinian access to loans. Based on the fact that 70 percent of West Bank and 10 percent of Gaza land is not owned and is thus unavailable for collateral, lending is severely constrained. Registration efforts -- in consultation with the Israelis -- could provide an additional 30 percent of the West Bank for collateralized loans.¹¹⁶

Additional lending banks are needed. Money often remains un-invested rather than used locally to encourage commerce, industry and the development of infrastructure. This funding should not be underestimated. By the creation of stability and more secure banking practices, Palestine could attract a portion of the offshore money held by its neighbors. These include holdings of nearly \$80B by Egyptians, \$6.2B by Jordanians, and \$26B by Syrian citizens.¹¹⁷

To multiply the effects of available foreign development funding, alternative-funding mechanisms must be examined. The Palestinian Enterprise Bank could make available public and private funds to private enterprises while sharing venture risk. This bank could pursue the creation of a Development Fund for project use, an Investment Fund to facilitate bank participation in business, a commercial wholesale banking section to support local banks and a function to provide risk guarantees for lending.¹¹⁸ It may also be feasible to consider the creation of a venture capital fund to spread risk and leverage funding to encourage additional private project funding. Finally, Palestine could set up a "provident fund" as in Singapore, to provide social insurance correlating to contributions.¹¹⁹

The US has remained committed to improve the availability of small business loans, and expand the banking and financial sectors, knowing that a country that can show that it follows common fiduciary accounting and banking procedures will attract foreign investment. USAID will help the Palestinian Monetary Authority (PMA) to enact an "early warning system" to identify fiscally strapped banks. Also, USAID assistance has improved the credibility of the Palestinian Securities Exchange (PSI) in mobilizing capital both domestically and internationally.¹²⁰

The banking sector has made significant progress in improving bank sector integration. To facilitate banks' willingness to provide loans for business and infrastructure development, The Palestinian Mortgage and Housing Corporation (PMHC) began operations in Jun 2000. It provides mortgage insurance to commercial banks.¹²¹

A Free Trade Agreement and industrial zones and estates could also expand economic opportunity. Industrial estates are designed to create employment, industrial development, growth of exports, and increased internal and foreign investment. As an example, the Gaza Industrial Estate (GIE), developed by the Palestine Industrial Estate Development Management Company (PIEDCO) will ultimately create 20,000 jobs and an additional 40,000 supporting jobs in nearby feeder industries. The US Free Trade Agreement with Israel should be expanded to include the West Bank and Gaza. The EU has already done so.¹²²

As an additional measure, infrastructure developmental contractors could be directed, in order to acquire contracts, to establish factories within the territories to produce the materials necessary for the project, i.e. cement production, wood processing, electrical component production, and appliances, to initiate the creation of a small, supporting industrial sector. Additionally, rather than importing skilled workers, these contractors could be directed to provide vocational training so that they can employ Palestinian workers.¹²³

Regional Integration

As important as the effective use of aid, foreign and domestic investment, and the creation of more efficient internal trade mechanisms, is the expansion of regional integration that must include Palestine. Past concepts such as pan-Arab unity have given way to regional cooperation and coordination. Moreover, sub-regional integration as exemplified by the GCC and the Arab Maghreb Union has become the "doable" unity template. The EU has proposed the creation of a market system to improve economic conditions. Like the Maghreb union (Morocco, Tunisia, and Algeria), a Mushraq union (Egypt, Jordan, Lebanon, Syria, Israel, and the Palestinians) could create a system to provide trade incentives to participating countries.¹²⁴ There is also a large need for

intra-regional trade. Countries of the Middle East trade little with one another with intra-regional trade amounting to only 6-7 percent of all trade.¹²⁵

Regional institutions can also help Palestinian development. Mechanisms must be created to efficiently allocate available developmental resources and to organize cross-regional economic policy to produce mutual gains in terms of economies, larger markets, improved regional bargaining and attraction to foreign investment specialization instead of duplication of effort.¹²⁶ Examples may be a Middle East "Marshall Plan," or a Middle East Development Bank (MEBRD) similar to the European Bank for Reconstruction and Development. Either could be designed not solely as an economic development mechanism, but as a method to improve regional cooperation. Strengthening regional institutions such as the Arab Fund for Economic and Social Development or the Arab Monetary Fund should also be examined.¹²⁷

As a result of the 1995 Barcelona Conference of the Euro-Mediterranean Partnership, attended by Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, and the Palestine Authority, a framework for the development of a free trade system was outlined for completion by 2010. This framework seeks to encourage cooperation, regional integration, and social development. The group intends to develop free trade zones in compliance with guidelines set forth by the WTO, expansion of agricultural trade, elimination of trade tariffs and duties, and protection of intellectual property rights. In an effort to establish a free trade zone between Jordan and the Palestinian Authority, the governments agreed to complete a free trade zone by 2007. Their agreement will increase the number of customs-free commodities, encourage investment and expand trade to 50M Dinars (\$70M).¹²⁸

In terms of the future development and evolution of the Palestinian State, encouraging globalization will require Palestine to pursue additional openness and public accountability, privatization of companies, democratization, and education programs. All of these advances will, in the long term, create opportunities for advancement, and encourage open trade and markets -- all of which will create a more suitable environment for peace. Additionally, as the Palestinian State moves into the global marketplace and seeks inclusion in international trade organizations such as the World Trade Organization and the Euro-Mediterranean partnership, they will be

forced/encouraged to adhere to international norms of fiscal policy, labor laws and human rights.¹²⁹

In sum, as former Israeli Deputy Foreign Minister and Justice Minister Yossi Beilin has stated,

The centrality of regional economic cooperation in the design of the New Middle East is clear.... We have a goal: the creation of a Middle East of cooperation and harmony with the chance to advance economic and societal goals on a shared infrastructure that will assure the prosperity of all the inhabitants of the region, of their peoples and of their states, and will bring about the hoped-for historic conciliation.¹³⁰

Future employment of Palestinian workers living in the WBG and those returning refugees must also be more fully addressed. Even under the best of post-statehood circumstances, 100,000 Palestinians will need to continue to be employed within Israel until the nascent Palestinian economy creates needed jobs. A re-opening of hiring of Palestinians across the region would also contribute towards reducing the employment pressures facing the PA and would simultaneously create remittances back to Palestine.¹³¹

Israel can also help itself by facilitating Palestinian employment. By re-opening its borders and permitting extensive Arab employment, Israel can maintain the availability of lower cost labor (and a worker pool that will not need to be supported in old age). More importantly, an employed Palestinian population, especially the young, is more likely to be content, disinclined, and less prone to violence.

Education

An adjunct to the evolution of the Palestinian economy is the necessity to improve and expand education across the territories. Education is an investment in human capital. Those who are better educated become more productive. The PA Ministry of Education states there are 115,000 classrooms, yet 720 additional classrooms will be required on an annual basis to keep up with natural student growth. The PA will need to reallocate public funding at the primary and secondary levels, in rural areas, and require university expenses to be paid through private funding.¹³² University linkages designed to improve education, such as between the Arab-American University College in Jenin

with Utah State University, and The Johns Hopkins University in association with al-Quds should be expanded to include other institutions and disciplines.¹³³

The PA must also focus upon future health care if it intends to be responsive to the demands of the Palestinian population. Despite significant growth, the previously mentioned fragmentation of the PA health care system must be reduced. Healthcare expenditures must increase 20 percent every five years to maintain current standards. When refugee return numbers are added to expected population growth figures, requirements increase substantially. A potential increase of 500,000 returning refugees could raise the current WBG population from 3.0-4.9M by 2010 and to 7.4M in 2025. This growth could overwhelm the entire health care system.¹³⁴

FUTURE CHALLENGES

Economic liberalization carries huge risks for the PA, as changes in social power groups/classes occur simultaneously with changes in the economic structure. Reducing state expenditure lessens the influence of state bureaucracies. Removing subsidies and protectionist monopolies while applying supply and demand functions to wages can create entirely new hubs of workers. Creating transparency can encourage foreign investment while eliminating old wealth. Regime clientship can erode. But, as Palestinian economist Hashem Alvartani has stated: 'True recognition between sides, significant long-term differences in production costs -- these are the factors that will contribute to the formation of economic cooperation. The two sides will also attain huge profits (or a significant savings) if they refrain from unnecessary duplication of the capital infrastructure, and in the future, Palestinians and Israelis will be able to develop joint economic internal and external enterprises.'¹³⁵

We must also balance the economic benefits that will most assuredly come to Israel and reconsider and re-channel our foreign aid from them to the Palestinian State. This will surely raise the ire of many within Israel and their many outside supporters. But, if this money is transferred to infrastructure support projects within Palestine, we should, I believe, be able to sell the long-term benefits in exchange for improved Israeli security and economic prosperity.

REFUGEES

HISTORY – THE INITIAL EXODUS

To fully understand the issue of Palestinian refugees, a common understanding of the parameters of the issue is important. While agreement on terms and definitions will surely be debatable, we must attempt to reach an understanding before any agreement is possible. Refugee issues include: a definition of who is a refugee, the legal and moral justification for their eventual return, an estimate of the original number of refugees, and the potential cost of compensation for those who choose not to return. I will review these issues briefly.

The Palestinians identify two types of refugees. One consists of those refugees within Israel and the WBG and is referred to as *al-dakhel* (inside). The second consists of those within the Diaspora and is referred to as *al-manfa* (exile) or *al-ghourba* (estrangement). Others consider the timeframes of refugee movement as a method to determine refugee status. These timeframes include: movement from Palestine (1948 and 1967), movement due to settlement construction (1967–present), relocation caused by the Jordan civil war (1970-71), movement within Syria (1973), dislocations in Lebanon (1975-present), and those who were forced to move from Kuwait (1990-91) as a result of Palestinian alignment with Saddam Hussein during DESERT STORM.¹³⁶

In the Palestinian view, UN resolutions that advocate the right of return grants international legitimacy and the moral and legal justification to permit them to do so. UN General Assembly Resolution 194 III (1948) provided a choice for the Palestinian refugees between compensation and the right of return. It resolved that: “The refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return for loss or damage to property....”¹³⁷

Palestinians state that prohibiting their return is the moral equivalent to what the Jews were asking the international community to denounce prior to 1948 based on what was done to them in the years leading up to and during World War Two. To counter these arguments, Israel denies that they caused the current Palestinian problem. In

their view, the Arabs, by rejecting the UN decision to create the Jewish State and their subsequent engagement in the war, are to blame for the impasse.¹³⁸

Perhaps the most disputed component of this issue involves the actual number of refugees caused by the 1948 war. A generally agreed upon estimate is approximately 725,000 refugees who continue to reside in Lebanon (100,000), Syria (75,000), Jordan (70,000), the West Bank (280,000), and Gaza (200,000).¹³⁹ But this number ignores the significantly more troublesome problem created by the 1967 Six Day War and resultant annexation of Gaza, the West Bank and the Golan by Israel. This conflict added many to the numbers of Palestinian refugees. A post 1967 UNRWA refugee estimate (completed in 1968) cites 245,000 additional refugees in the West Bank and Jerusalem and an additional 265,000 in Gaza. Another estimate adds 335,000 refugees forced to move to the East Bank of whom 210,000 were first time refugees. In total, a nominally agreed upon number of those forced to relocate as a result of the 1967 conflict was an additional 1 million refugees. This number included those who had not necessarily crossed an international border, including 100,000 who fled into Syria from the Golan, 300-500,000 Egyptians who fled from the Suez area, 250,000 who moved from the West Bank to Jordan, and 162,000 "second time" refugees -- those who had fled in 1948 and again post 1967 -- inside of Israel.¹⁴⁰

From the Palestinian point of view, it does not matter at which time a refugee became a refugee. Citing international law and proclamation, Palestinians cite UN General Assembly Resolution 3236 (XXIX), which does not distinguish between 1948 and 1967 refugees. Rather, it grants them, in terms of legal status, the right of self-determination without external interference, the right to national independence and sovereignty, and reaffirms their inalienable right to return to their homes and property from which they have been displaced.¹⁴¹

CURRENT – THE "NATURAL GROWTH" OF PALESTINIAN REFUGEES

As is the case with the numerical determination of the original refugees, the determination of those who are currently classified as refugees poses significant challenges. As the chart below illustrates, the Economic Intelligence Unit states that

3.737M refugees reside in MEAF, 1.211M of who live in 59 camps.¹⁴²

Region	Number of Refugees	Camps	Refugees in Camps
West Bank	583 K	19	157 K
Gaza	824 K	8	451 K
Jordan	1.570 M	10	280 K
Lebanon	376 K	12	210 K
Syria	383 K	10	111 K
Total	3.737 M	59	1.211 M

Refugee Camp Occupants

This number, when augmented by UNRWA estimates of 3,093,174 who reside outside UNRWA jurisdiction (Egypt, North Africa, Iraq, and the Gulf), brings the total of Palestinian refugees to 6.83 M. This composite figure is in concert with US Census Bureau estimates of 6.45 M Palestinians living in 16 MEAF countries, with 500K more elsewhere.¹⁴³

The diametrically opposed positions of Israel and the Palestinians remains as it always has, and has potentially solidified, with both sides desiring to “hear” indications of support in every public pronouncement regarding this problem. In response to a recent speech by US Secretary of State Powell, Israeli Housing Minister Natan Sharansky stated he was pleased that the speech called on Palestinians to recognize Israel as a “Jewish State.” He believed that this phraseology implied US endorsement of the Israeli position opposing the Palestinian right of return.¹⁴⁴

Proponents for refugees have examined their motivation for return not in terms of the actual re-acquisition of property, but in terms of the psychology of return. Ziad Abu Zayyad has written: “The circumstances under which the Palestinian refugees have lived since 1948, and the suffering which they have endured and are still enduring, have forced many of them to view their return as the acquisition of national independence and dignity, and not necessarily as a literal return.”¹⁴⁵

Aside from how refugee status is defined, efforts have been taken to facilitate their settlement and to eliminate the need to consider their eventual return to Palestine. While initially established in 1955 as a temporary agency, UNRWA began to focus on the integration of the Palestinians into their adopted homes based on the perception

that the issue of refugee return was unsolvable. UNRWA developed programs for education, housing and employment within the camps. Commensurately, its budget rose from \$33.6M in 1950 to over \$254M in the early 1990s.¹⁴⁶

Recognition of the problem and the international community's willingness to assist is continuing. The US Secretary of State maintains a Migration and Refugee Assistance (MRA)-Overseas Assistance fund – currently funded at \$509M -- designed to aid worldwide refugees. The MRA upholds humanitarian principles by providing assistance to victims of persecution and resolution of refugee problems through repatriation, local integration or permanent resettlement in a third country. It also seeks to manage migration flows.¹⁴⁷ UNRWA, the International Organization for Migration (IOM), the World Food Program (WFP), and the International Committee of the Red Cross (ICRC) are all recipients of this money that could be extended to further assist Palestinian refugees.¹⁴⁸ Additionally, under the auspices of Emergency Refugee and Migration Assistance Fund (ERMA), Presidential Determination 2001-05 (December 2000) allocated \$8.8M to meet the needs of the refugees, displaced, and conflict victims of the crisis in WBG.¹⁴⁹ The international community through the Refugee Working Group (RWG) is also deeply involved with sponsorship of aid programs aimed at improving the conditions of the Palestine refugees. Programs and their primary sponsors include; development of social and economic infrastructures within the camps (EU), family reunification (France), health (Italy), data collection (Norway), child welfare (Sweden), human resource development, vocational training and job creation (US), and civil and human rights (Switzerland).¹⁵⁰

'Arafat must be empowered by all Arab States to accept a negotiated solution to the refugee issue on their behalf. During the Camp David 2000 negotiations, 'Arafat did not possess the political support of the Arab community to accept the postponement for a "satisfactory solution" to the refugee problem as Prime Minister Barak had proposed.¹⁵¹ This empowerment must occur in spite of the fact that 'Arafat's agreement on a final solution might create the situation where, due to the provisions of an agreement such as limited right of return, those Arab states where Palestinian refugees currently reside may have to permit the refugees to remain and become full citizens within their borders.

The right of refugee return may not actually be a function of the number of returnees eventually authorized to return. Following the failed July 2000 Camp David negotiations, Palestinian negotiator Mahmoud Abbas (abu Mazen) stated: “the Palestinian delegation refused to set a certain number for refugees that would be allowed to return, even if they offered three million refugees. We told them (Israelis) that we want them to recognize the principle (the right of return).”¹⁵²

FUTURE – HOW MANY REFUGEES, HOW MUCH COMPENSATION?

To maintain focus on the most important aspects of the problem, we should continue to pursue the refugee problem as a humanitarian, rather than a political issue. By doing so, the specifics of the problem -- numbers of returnees, compensation, and potential citizenship elsewhere can be approached practically, with less political overtone. Israel itself implicitly knows that negotiations must ultimately create a Palestinian nation. If this were not the case, then sometime through its history, Israel would have annexed Arab lands to impose order and security.¹⁵³ However, at no time has this occurred and the reason as to why is clear. Through the process of annexation, the demographic nature of Israel would be forever changed, and the Israeli (Jewish) national identity would disappear. To remain as a Jewish nation, while remaining democratic, Israel must exclude the Arab populations or ipso facto, risk becoming an Arab nation due to the natural growth of the Arab population combined with the vast potential for returning refugees. Israel more than all else desires to remain a democratic Jewish state, but not one in occupation of another people. No Israeli government could survive the proposal for what would eventually result in the destruction of the Israeli national identity. Moreover the nature of the current “military occupation” runs counter to the building blocks of Israeli society. Created ostensibly to rectify mistreatment against the Jews, Zionism intended to establish a homeland where the human rights of the Jews were guaranteed. The control now by the Israelis of another nation is in direct contravention to Israel’s Declaration of Independence and basic democratic values.¹⁵⁴ Consequently, the Palestinians must reach the logical conclusion that the concept of their “right of return” will never be one of settlement within

Israel. The only solution to the matter of the refugees, in line with this desire, is settlement elsewhere.

Some have proposed a form of return to include a modified interpretation of UN Resolution 194 (III). According to Rashid Khalidi, refugees should either have the choice "not to return" and have this right offset by compensation, or be permitted to return. Those who do desire to return must agree to "live at peace with their neighbors" exemplified by accepting Israeli sovereignty over parts of former Palestine, and must further agree not to return to their original homes, but to a Palestinian state.¹⁵⁵ While this may be a negotiable and ultimately acceptable solution to the dwindling number of original Palestinians within the Diaspora, it fails to address the greater number of offspring to those original refugees. This number suggests that nearly 37 percent of refugees have been born since their families left Palestine and raises the issue as to whether refugee status can be inherited.¹⁵⁶

In order to quantify compensation, determination of responsibility for the refugee impasse must be made. A compromise position on final status of the refugee problem with a Palestinian slant would require that Israel acknowledge that they were primarily responsible for creating the refugee problem and grant the moral (though not necessarily physical) right of their return. In return for admitting responsibility, Israel would provide either individual or collective compensation. In return, the Palestinians must acknowledge the current security and democratic requirements of Israel, and accept that only a nominal return of the refugees to the current State of Israel is possible within this compromise solution. Refugee return to the Palestinian State would be permitted.

A similar compromise from an Israeli perspective would propose shared responsibility for the refugee problem between adversaries in the 1948 war. Under this scenario, refugees to Israel would be permitted only under a family repatriation scenario. Israel would provide collective compensation, while Arab states would provide reciprocal compensation to Jewish refugees -- providing a just and equitable solution to all refugees -- all of whom were harmed by the policies of the governments under which they lived.¹⁵⁷ However, this solution creates a potentially more divisive issue for the Arabs. By adhering to the concept that compensation is also due to

Jewish refugees, a situation is created where Egypt, Iraq, Syria, and Yemen would have the de-facto ability to scuttle an agreement by refusing to compensate Israel.¹⁵⁸

What Form of Compensation?

Supposing that agreement can be reached, with or without attaching fault to either party, a method of providing compensation must be decided. The most difficult method of compensation would be based on individual claims. In this method, individual refugees would be required to first prove their refugee status and then certify their losses, the value of the loss at the time of entering refugee status, and presumably its current replacement value. This will be difficult for a number of reasons. First, extremely poor property records were kept prior to 1948. Many have been lost or destroyed. Secondly, few if any of the original property owners have properly delineated heirs or passed “formerly-owned” property to their descendants. Thus, from a practical perspective, individual compensation will be difficult, or if possible, extremely costly to effect—costs which will decrease overall compensation amounts.

Therefore, collective compensation, centrally collected and later dispersed, is the preferred method. The advantage of collective compensation is the ability to avoid putting an individual price on each refugee property loss complaint. It also is a first step to looking forward, abandoning long-held historical grievances. Collective compensation paid to the Palestinian State, perhaps directly into a refugee bank to encourage the creation of income-generating enterprises, could also be designed to create the environment for refugee immigration and absorption.¹⁵⁹

Compensation -- How Much?

Having determined the preferred method of compensation, the international community will need to determine and negotiate an order of magnitude -- per refugee. In the views of the Palestinians and Israelis this order of magnitude also carries a wide amount of variance. The high end of the Palestinian estimates places the value of lost property and opportunity at amounts nearing \$147B.¹⁶⁰ Others however think it is more prudent to view the issue not in terms of the cost of compensation but in terms of the costs of resettling refugees. Palestinian economist George Abed believes that \$23B

would be needed to absorb returning refugees to include development (\$5B), housing (\$5B), social infrastructure including hospitals and schools (\$3B), and for the creation of jobs (\$10B).¹⁶¹ If on an individual compensation basis, an Israeli estimate of the cost of compensation to the Palestinians is \$15-20B, or nearly \$20,000 per refugee.¹⁶² While these costs are immense and undoubtedly will be disputed and opposed by Israel, one particularly interesting approach has been made to offset compensation costs. Shlomo Gazit suggests that Israel could utilize the \$5-10B in claims against Germany to fund resettlement of the refugees in their current places of domicile.¹⁶³

Who Would Return?

No precise metric is available to accurately quantify the true number of refugees who would actually decide to return to Palestine. A starting point for determining the returnees' order of magnitude can begin with an analysis of the treatment of the refugees across the MEAF. Clearly, the theory goes, those treated most unjustly are more inclined to uproot (yet again) and return to Palestine.

The Palestinians of Lebanon are especially likely to return, given their few political and social rights. Lebanon restricts Palestinian movement, does not permit citizenship, limits their access to public education beyond the ninth grade, restricts jobs in the public sector by requiring 10-year citizenship prior to acquiring employment, and mandates special permits for work in the private sector.

In Syria, Palestinians have significant social and economic access, but lack political integration and rights. Far more than in Lebanon, the Palestinians have access to government-provided social services, education and jobs. As a result, many will remain in Syria after the formation of the Palestine State.

Since the mid-1970's, Egyptian treatment of the refugees has worsened, with Palestinians often treated as foreigners. Most refugees would return to their homeland.

As many as 50,000 Palestinians are in Iraq, which allows them citizenship, but denies the right to vote. Based on their isolation within Iraqi society since DESERT STORM, their current disposition to return is not known.

Jordan provides the fullest integration and citizenship for the Palestinians. The Palestinians work, own property, and participate in politics. In fact, 37 percent of

Jordan's Palestinian refugee population see Jordan as a substitute state and 56 percent favor Jordanian-Palestinian confederation. Still, a full 77 percent have expressed a desire to live in their own state, not due to dissatisfaction with Jordan, but due to moral considerations and "principle." Despite this sentiment, many experts believe few, other than the extremely old and young, will depart their homes, established businesses, and developed social structures.¹⁶⁴

Forced Return?

It is all well and good to discuss the rights and wrongs, justs and unjussts, of the problem of the Palestinian refugees. It does nothing however, in a practical sense, to actually solve the potential issue surrounding their return. The international community has done little, aside from extensive discussion of the potential returnees, to determine the actual likelihood and potential order of magnitude of those who will return. Without this knowledge, at least in terms of an accurate estimation of the numbers, it is extremely difficult to predict the requirement for infrastructure support mechanisms, the need to create jobs and build housing, or perhaps most significantly, the required level of compensation for those who desire not to return.

We must attempt to determine, through a thorough demographic survey, the nature of those Palestinians who may return. Demographers must develop a sample model of all potential returnees, and both sides must create the conditions and requirement to return. In other words, those offered the right to return, say 10,000 in the sample, must be offered and provided anticipated incentives such as transportation, housing, and employment, but also must be informed that failing to accept the opportunity to return will eliminate any future opportunity to do so. Only in this way can an accurate approximation of the potential returnees be made. Obviously, the mechanism to provide the promised transportation, housing and employment must occur. Based on those who do return, both sides can, perhaps for the first time, extrapolate the extent of those who may actually undertake return.

This method will not be completely scientific. The Palestinians will not want to offer some refugees the right to return, the results of which could jeopardize the right of others to return. The Israelis will not want to admit some refugees, even to the WBG,

stepping on the slippery slope -- for the first time -- of authorizing any repatriation without knowing the potential extent of the overall return. Without this knowledge, however, neither side can adopt a practical approach to the problem. Moreover, without this information, we cannot approach neighboring countries to consider their willingness and capability to offer future domicile and ultimately citizenship to the current Palestinian refugees within their borders.

The current "hosts" of the refugees will have much to contribute to the ultimate solution and final status of the refugees, and their right of return to Palestine. Negotiations to determine the willingness of current host governments, particularly Jordan, are necessary to determine their absorptive capacity/willingness to retain the refugees. By approaching the issue from the back door, a closer approximation of those who may be pressured to leave and require resettlement may become clearer. As an example, if the negotiations indicate limited Jordanian willingness to provide permanent settlement of Palestinians within Jordan once a Palestinian state actually exists, then the international community should expect that during final status consultations, more returnees to WBG must be negotiated and permitted.

Regardless of the ultimate agreement, it is unlikely that all Palestinians will decide to return. As a result, the nations that currently host them will need to reach their own determinations of how to handle those who desire to remain within their territory. With the establishment of a Palestinian state, the current refugee camps must be eliminated, or more appropriately, absorbed into their "host" societies. As they exist today, the camps themselves contribute to the Palestinian sense of nation. Keeping them together fuses their identity and helps to illustrate their claims of poverty and exile.

An adjunct to individual/collective compensation to the Palestinians, unexamined in detail here, but which must be considered, is the order of magnitude and methods of potential payments to the states that across time have "hosted" the Palestinian refugees, and will surely make their own compensation demands. Jordan alone has estimated a cost of \$300M annually to support its segment of refugees.¹⁶⁵ Also, compensation due to host nations would raise the issue of relying on the PLO/PA to represent refugee interests or to conduct direct negotiations between Israel and other Arab nations.¹⁶⁶

In one additional measure, the issues of compensation and coordination with neighbor states currently “hosting” refugees can best be coordinated by one agency rather than attempting to do so in an interagency fashion. Palestine will need to establish an “Absorption Ministry” to deal with issues of housing, employment, and education and health.¹⁶⁷

Development of the Infrastructure

We must also, as is addressed elsewhere within this document, seek to develop the Palestinian infrastructure. Aside from the purely economic need to encourage foreign investment, create jobs and industrial bases, and the desire to enhance regional integration, practical rationales exist to improve the infrastructure to facilitate the acceptance and integration of returning refugees.

Increasing populations will place an additional strain on already scarce resources and services. This in turn could lead to internal conflict, political instability and in its worse stages, worsen the conditions of refugees.¹⁶⁸ Further, development of the infrastructure in anticipation of refugee arrival will result in them not being seen as a burden on those already residing within Palestine, and will improve the lives of current inhabitants as well.¹⁶⁹ The Ministry of Planning and International Co-operation (MOPIC), The Palestinian Central Bureau of Statistics (PCBS), and the PLO Department of Refugee Affairs are addressing these issues, but a firm plan is not in place.¹⁷⁰ The actual development of appropriate infrastructure support mechanisms for them—and all Palestinians—is detailed elsewhere in this paper.

What can the West/US do?

The US must do more now to aid the plight of Palestinian refugees. Funds are currently available, and others can/should be reallocated. As mentioned, the Migration and Refugee Assistance (MRA) and Emergency Refugee and Migration Assistance Funds (ERMA) can be used to help the refugees. Moreover, another source has a curious issue attached to it. The Refugees to Israel Fund is designed to assist in the resettlement and absorption of primarily Russian Jews into Israel. While in 1991,

145,000 immigrants came to Israel under this program; by 2000 the number had declined to 51,000 new immigrants. Across time, however, \$60M has been allocated annually, with the same amount requested in FY 2002.¹⁷¹ Why has the allocation remained the same? This fund could be put to better use to help facilitate the absorption of Palestinians into WBG and help to dismantle the UNRWA camps. At a minimum, based on the decrease in the number of Israeli immigrants from Russia, the allocation to Israel could be reduced by nearly 66% based on decreased required resettlements and the resultant \$40M could be allocated for use in the WBG.

Infrastructure development now -- housing, roads, sewers, communications systems, schools and health centers -- will provide the future support to returning Palestinians. Undoubtedly, a more modern Palestine will attract more refugees. But the inverse is not true. An under-developed infrastructure will not discourage those desiring to return. It will only mean they will live in unsuitable conditions, conditions that may only foment dissatisfaction and unrest. In the event that refugee return to Israel is not workable (and I do not believe it is), then all refugees should receive compensation from the international community for their losses and assistance in building new lives.

Finally, as will be discussed in relation to the next section of this paper, it is faulty logic for Israel to discount those refugees in the Diaspora who were not original refugees. The “natural growth” of refugees abroad occurs in tandem with the “natural growth” of Israeli settlements. It is that issue which follows.

SETTLEMENTS

HISTORY – HOW HAVE THE SETTLEMENTS OCCURRED?

Perhaps the largest daily-visible thorn in the side of the Palestinians is the presence of the Israeli settlements within the Palestinian territories of Gaza, the West Bank and parts of East Jerusalem. The concept of statehood -- from the Palestine perspective -- is reviewed elsewhere within this document. However, the presence of nearly 400,000 Israelis living in 200 settlements, on land that 3M Palestinians regard as their homeland, is a separate and equally vexing issue for Palestine. Moreover, Israelis

do not understand the depth of frustration and humiliation felt by the Palestinians due to occupation and overbearing IDF presence.¹⁷² This is especially true when viewed within the context of the fact that many consider that Israeli settlements are in violation of the Fourth Geneva Convention, which prohibits an occupying power from acquiring territories by military force.¹⁷³

Every US administration for the last 25 years has opposed the settlements. Moreover, outside of the US displeasure, many countries of the UN and EU harbor even stronger disagreement with the Israeli settlement policies.¹⁷⁴

In 1979, President Carter believed that he had received a five-year commitment to halt expansion of the settlements from Menachem Begin. Carter stated: "It was clear that Israeli settlements in the occupied territories were a direct violation of [Resolution 242] and were, according to the long-stated American position, both 'illegal and an obstacle to peace.' "¹⁷⁵

President Reagan addressing the nation in September 1982 on the subject of the West Bank and the Palestinians, stated: "The United States will not support the use of any additional land for the purpose of settlements during the transition period. Further settlement activity is in no way necessary for the security of Israel and only diminishes the confidence of the Arabs that a final outcome can be freely and fairly negotiated."¹⁷⁶

At a press conference in November 1991, Secretary of State James Baker said, "When we negotiated with Israel, we negotiated on the basis of land for peace, on the basis of total withdrawal from territory in exchange for peaceful relations.... This is exactly our position, and we wish it to be applied also in the negotiations between Israelis and Syrians, Israelis and Palestinians. We have not changed our position at all."¹⁷⁷

President George H. W. Bush and Prime Minister Rabin agreed to another freeze in 1992, although the agreement permitted "natural growth." At the time, 250,000 Israelis lived across the 1967 Green Line.¹⁷⁸

Many Israeli statesman and military experts support the Palestinian perspective as well. Former General Moshe Dayan, giving his view that the settlements neither serve Zionism nor Jewish nationalism, has stated; "not because [the settlements] can ensure

security better than the army, but because without them we cannot keep the army in those territories.”¹⁷⁹ This statement clearly implies that without the settlements, any deployed IDF formations should be viewed as a foreign army ruling a foreign population, instead of the concept where the presence of the IDF is needed to protect the settlements. Many of the settlement locations themselves have been declared by the IDF as non-strategic requirements in a study conducted during Prime Minister Netanyahu’s administration.¹⁸⁰ Part of the rationale for the need for settlements, and the resultant presence of the IDF to protect them, was that without the settlements the Israeli public would have to accept the fact that their military was deployed beyond their territory -- a situation they have historically not accepted. By maintaining that the existing settlements are within legitimate Israeli territories, the public does not see the IDF as deployed. This has most recently been exasperated when in June 2001 Sharon discounted a complete freeze to settlement construction in a meeting with President George W. Bush, adhering to the concept that expansion in existing settlements would continue.¹⁸¹

CURRENT – THE SETTLEMENTS REMAIN DISRUPTIVE

In recent times, the position of the US and the international community at large has not changed regarding the presence, continued expansion, and the ill-advised use of the IDF to secure the territories. In addition to the absolute expansion of the physical number of settlements, the overall growth of the occupants of the settlements is indisputable as the following chart illustrates:¹⁸²

	West Bank	Gaza	Total
January 1992	97,800	3,410	101,210
June 1996	145,000	5,500	150,500
June 1998	163,173	6,166	169,339
Overall Increase	65,373	2,756	68,129
% Increase	67%	81%	67%

Settlement Population Increase

As a result, the voice of the international community has continued to grow in opposition to the settlements. Secretary of State Powell recently demanded the end of Israeli

settlements, which he said “cripples chances for real peace and security.”¹⁸³ He urged the end to the economic blockade, and inferred that Israeli occupation had caused much of the Palestinian uprising.

The Presidency of the EU, expressing that organization’s position in April 2001, stated the “settlements change the physical character and demographic composition of the occupied territories. All settlement activities are illegal and constitute a major obstacle to peace. The EU strongly urges the Israeli government to reverse its settlement policy as regards the occupied territories, including East Jerusalem.”¹⁸⁴ The EU went on to state that the settlements are contrary to international law, and are an obstacle to peace.

But the animosity continues. The Palestinians see the presence of settlers as violating the spirit of Oslo and another example of the overwhelming capability of the IDF to dominate them. Despite the denunciations by the international community, construction continues. Yet, Israel states that it is not building new settlements but allowing expansion to accommodate “natural growth.” Palestinians make no distinction between “new” and “expanded” settlements.¹⁸⁵

FUTURE – EQUITY IS ESSENTIAL

If the Israelis do not soon recognize the benefits of removing the settlements for reasons of security or recognition of them as a continued irritant to the Palestinians, the continuation of violence will ultimately force a solution. Post Oslo, nearly 100,000 settlers have been added to the settlements. This fact alone conveys to the Palestinian community that Israel is not serious about permanent status negotiations.

In terms of the issue of the retention of Israeli settlements based on the initial proposals made by the Barak government at Camp David II, ‘Arafat could not justify the proposed offset of sovereignty over land. During the negotiations, Israel proposed the retention of 9 percent of the West Bank for its settlements. In return, it would provide the Palestinians with 1/9th as much territory within Israel. ‘Arafat could not explain this unfavorable 9:1 land exchange to his public.¹⁸⁶

In concert with growing Palestinian animosity, a growing feeling within Israel illustrates that the existing Israeli proposals for a Palestinian borders are not realistic.

Foreign Minister Shimon Peres as quoted by Ha'aretz, in its edition of 4 July 2001, has stated the "settlement map as it exists today, does not enable peace. Those who want annexation should say this openly. The result is clear -- Israel will be transformed into an Arab country."¹⁸⁷ Despite this opposition, Israel finds itself in a political trap. While it can be militarily debated whether the settlements improve the defenses of the Israeli state, it will be difficult, for domestic political reasons, for Israel to force the relocation of all of its settlers. The potential for conflict and the potential political disintegration within Israel may be extensive. Thus, the issue for Israel is to reach a consensus on the solution to their own settlements within Israel, prior to a negotiated solution between Israel and the Palestinians.¹⁸⁸

Palestinians have shown recent willingness to examine the possibility of an equitable exchange of land with Israel. This exchange could potentially allow the continued existence of Israeli settlements in exchange for current Israeli land being transferred to the Palestinian State. Talks at Taba late in 2000 produced a settlement map that closely paralleled the Abu Mazan-Beilen Plan of 1995 and illustrated willingness to trade existing settlement locations for those of equivalent Israeli territory.¹⁸⁹ If this land transfer is to occur, additional thought must be given to the legal rights of these Israeli citizens within a Palestinian state. There is little possibility that the Palestinians will tolerate a condition of extraterritoriality within their own borders -- a condition normally granted only to diplomats. The solution can only be to maintain the settlements within Palestine under Palestinian law. To do otherwise would result in a continuing disruption to Palestinian sovereignty and a continuation of future negotiations rather than closure of the issue.

Maintaining settlements far from the contiguous borders of Israel, and the parallel need to allow access to these settlements by the IDF is untenable to the Palestinians. IDF presence within a Palestinian state will not only serve as a perpetual irritant to the Palestinians, but also will provide a continued lucrative target to any person or group attempting to derail the peace process. Clearly, from a military viewpoint, the capability of the IDF to defend a salient (or its opposite) is exponentially more difficult than the defense of a continuous, somewhat linear border. The Israeli military identifies this fact. As a result, the settlements should be abandoned, with all Israeli settlers and the IDF

relocating to the Green Line. Alternatively, an equitable exchange must occur to allow Israel to maintain those settlements close to the 1967 borders while allocating pre-1967 Israeli land, most likely near Gaza, to the Palestinians. This transfer, however, must be -- unlike that which was proposed at Camp David 2000 -- equitable both in terms of land size and land productivity. "Trading" arable land to the Israelis while allocating desert land to the Palestinians will not be acceptable. Finally, the settlements in and around Jerusalem should be addressed separately, as a part of final status agreement negotiations for the city, rather than as a part of the overall settlements' issue. Solving the issue of settlements outside of that of the future status of Jerusalem will create a greater opportunity to reach an agreement. Israelis living in Jerusalem is more an issue for discussion concerning the status of the city than in the discussion of settlements within the WBG.

STATEHOOD

ANCIENT HISTORY – SIGNIFICANT LEGITIMATE CLAIMS BY BOTH

A synopsis of the history of Palestine is not intended to provide evidence as to which side in the conflict has clear historical justification to form a state. Quite the contrary, the following review is intended to show that both sides, more accurately neither side, holds clear historical justification to form a state at the exclusion of the other. Moreover, whether grounded in historical fact or current cultural beliefs, both sides believe that the land belongs to them and sufficient historical fact can be utilized to support their positions -- normally in direct contradiction with the historical evidence of the other side.

The Book of Genesis describes how, some 4000 years ago, Abraham purchased land, 20 miles south of Jerusalem where he, his wife Sarah, their son Isaac and wife Rebecca, and their other son Jacob and wife Leah are buried. Abraham's other son, and the progenitor of the Arabs, was Ishmael, born of Sarah's handmaiden Hagar.¹⁹⁰

In the late Bronze Age (1500-1200 BC) the empires of Egypt and the Hittites battled for the region known as Canaan. Also during this period, Moses led the

Hebrews from Egypt and in 1250 BC these travelers also settled in the region. In 1150 BC, the Philistines, originating from Crete and the islands of the Mediterranean, invaded Canaan and established communities in the cities of Gaza, Ascalon, Ashdod, Ekron and Gerar. In 1000 BC, the Jews defeated the Canaanites and Philistines, unifying Judah in the south and Samaria and Galilee in the north under David's leadership. His son, Solomon later built the first great temple in Jerusalem.¹⁹¹

During the next 1600 years, the Jews were ruled by a series of non-Jewish Kingdoms including those of the Assyrians, Babylonians, Persians, Greeks, Egyptians and Romans. Following the Roman destruction of the second Temple in 70 AD, the Jews left Jerusalem and lived for nearly 2000 years throughout the Middle East, although some had returned by the 4th Century AD. It was during this period in 132 AD that Roman emperor Hadrian changed the name of Judah (later Judea) to Palestine. For the next 1400 years numerous armies including the Persians, Abbasids (Baghdad), Fatimids (Egypt), Turks, Crusaders, Mamluks and Ottomans invaded and occupied Palestine.¹⁹²

By the end of the 19th Century, 85 percent of the population of the region was Sunni Muslim, while 25,000 Jews also resided there. In 1881 Hovevei Zion (lovers of Zion) began to arrive.¹⁹³

In sum, the region has been home to both Arabs and Jews. Both have lived, raised families and thought of the region as their home. The ancient history of the region illustrates that both, or neither, party has sole legitimate claim to occupy the regions of Palestine. More modern history illustrates how Great Power politics have further influenced the development of the belief that the right of settlement/occupancy had been granted to one antagonist or the other.

MODERN HISTORY – HAS THE WEST CAUSED THE CURRENT CONFLICT?

The period of WWI and its immediate aftermath is an equally important period in the history of Palestine/Erez-Israel. The formulation of imperialist policies and the motivations affecting these policies are of value in understanding later regional events.

Early in the 20th Century, British national objectives led Britain to alternately support Arab and Jewish settlement. On the one hand, Britain was interested in

Palestine primarily as a buffer and safeguard for the southern route to its primary interest—India. British policymakers stated "it [Palestine] must either become English, or else form part of a new independent State, which without incentives to territorial aggrandizement...shall yet be able...to promote the great object for which it will be called into existence."¹⁹⁴ In return for the support of the sharif of Mecca, Husayn and his son Amir Faysal, the British supported the Arab desire for independence as outlined in the 1915-16 Husayn-McMahon correspondence.¹⁹⁵ The British view of independence however was limited. Evidence suggests that Britain intended to grant the Arabs independence from the Germans and Turks, but did not envision them attaining real autonomy. Rather, Britain, France and czarist Russia divided the region into spheres of influence as delineated in the Sykes-Picot agreement to "guide" the Arabs. This agreement, based on the presence of three great religions, determined that Palestine should be administered on an international basis.¹⁹⁶ In order to achieve the British promises of territorial independence, the Arabs were encouraged to conduct an internal revolt against the Ottoman Empire.

Further obscuration of the issue occurred as a result of the Balfour Declaration and Balfour letters between 1917 and 1919. In a famous letter written by Lord Balfour to Lord Rothchild on 2 November 1917, Balfour stated:

His Majesty's government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavors to facilitate the achievement of this object, it being understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country.¹⁹⁷

The Israelis viewed Balfour as offering concrete support for a Jewish national home. They had further evidence of the British intent, when in August 1919 Balfour wrote, discussing the contradictions of the pledges made during the war,

The contradiction between the letter of the Covenant and the policy of the Allies is even more flagrant in the case of the independent nation of Palestine than in that of the independent nation of Syria. For in Palestine we do not propose even to go through the form of consulting the wishes of the present inhabitants of the country, though the American [King-Crane]

Commission has been going through the form of asking what they are. The four great powers are committed to Zionism and Zionism, be it right or wrong, good or bad, is rooted in age-long tradition, in present needs, in future hopes, of far profounder import than the desires and prejudices of the 700,000 Arabs who now inhabit that ancient land.... As far as Palestine is concerned, the Powers have made no statement of fact which is not admittedly wrong, and no declaration of policy which, at least in the letter, they have not always intended to violate.¹⁹⁸

The Arabs on the other hand, viewed Balfour's declaration merely as an indication of British sympathy for the Zionist movement, rather than an attempt to ignore the territorial rights of Palestinians already existing in the region. The US supported this position. The US King-Crane Commission found inequality in treatment to the two antagonists. King-Crane warned that the dispossession of Arabs in Palestine "would be a gross violation of the principle [of self-determination], and of the peoples rights, though it kept within the forms of law."¹⁹⁹

The intractability between the positions of both the Zionists and Arabs occurred as early as 1937, as illustrated by the findings of the Peel Commission. Peel recommended the end of the mandate and the partition of Palestine into Jewish and Arab states, with a British zone in Jerusalem. The Commission wrote:

An irrepressible conflict has arisen between two national communities within the narrow bounds of one small country. There is no common ground between them. Their national aspirations are incompatible. The Arabs desire to revive the traditions of the Arab golden age. The Jews desire to show what they can achieve when restored to the land in which the Jewish nation was born. Neither of the two national ideals permits of combination in the service of a single State. ...But while neither... can fairly rule all of Palestine, each ...might justly rule part of it.²⁰⁰

The commission went further and recommended "exchange" of Jews and Arabs following partition of Palestine.

As a result of significant Arab pressure, the 1939 British White Paper sought to limit Jewish immigration while retreating from the partition plan. This proposal declared that Palestine would be independent in ten years, provided for Arab approval of Jewish immigration following completion of a 5-year quota, and imposed restrictions over Jewish purchase of Arab land. During the Roundtable Conference attended by the

Zionists, Palestinian Arabs, and representatives from Trans-Jordan, Egypt, Iraq, Saudi Arabia, and Yemen, both sides rejected the proposal.²⁰¹

The White Paper may have been the strongest opportunity for the Palestinians to achieve statehood. Their refusal, however, squandered the chance to garner international support for an Arab-dominated entity in Palestine. This is especially significant given that in the Post WWII era, much had changed in the world arena. First and foremost, the British Empire, and its ability to influence international events, was significantly eroded. Two new superpowers, the US and the USSR, had emerged as dominant actors and all international events would henceforth be influenced by bipolar competition between the two. Finally, the extermination of the Jews within Nazi Germany would forever galvanize sympathy for the establishment of a Jewish homeland.

Even prior to the formation of the Israeli State, the US had illustrated its support for the Zionists, at the expense of the Arab inhabitants of Palestine. The Anglo-American Committee in May 1946 recommended a unitary state, no restrictions to Jewish land purchases, and authorized the immigration of 100,000 European Jewish refugees. At the same time, desiring to no longer bear the costs the mandate, the British passed resolution of the conflict to the UN in February 1947. In November 1947, the UN Special Committee on Palestine (UNSCOP) recommended partition of the region to create two states and an international zone in Jerusalem and Bethlehem. UN General Assembly Resolution 181 provided the Jewish State with 55 percent of the territory of Palestine but with a sizeable (45 percent) Arab minority. Of the 45 percent of land allocated to the Arabs, Jews inhabited a small proportion.²⁰² The Palestinian side rejected this proposal as it offered a majority of the territory of Palestine to the Jews who constituted less than 1/3 of the population. The Jewish Agency accepted the proposal primarily due to the fact that it provided international recognition of a Jewish state.²⁰³

In early 1948, the Jews had achieved notable military success and undertaken several atrocities aimed at the destruction of the Palestinians, or secondarily to encourage the Arabs to depart the region. By later in the year, the Palestinian militias had been badly beaten, had become unorganized, and were contemplating

compromise. However, while their position had been successively weakened, the territorial position of the Jews had expanded and included the Upper Galilee, the Negev, and a large portion of Jerusalem. As a result, the Jews were less inclined to negotiate. Due to migration to Trans-Jordan, Gaza, the West Bank, Syria and Lebanon, the strength of the Palestinians in Israel had shrunk from nearly 800,000 to 150,000.²⁰⁴

The British officially ended their mandate over Palestine on 14 May 1948. On the same day the National Council proclaimed the State of Israel. Just hours later, President Truman extended recognition to the new Jewish State. Shortly thereafter, the armies of Syria, Lebanon, Iraq, Egypt and Trans-Jordan attacked the forces of the new state. Following initial combat dominated by Israel, throughout 1949, each state entered armistice (not peace) agreements with Israel, formalizing most of the territorial acquisitions made during the war. This resulted in nearly ¾ of all of Palestine coming under Israeli control. Of equal significance, in the 2-½ years following the conflict, nearly 500,000 Jewish immigrants entered Israel and completely altered the population composition of Palestine.²⁰⁵

Immediately following the formation of the State of Israel, the UN compounded confusion of the issue by the language of its first resolution that clearly benefited the position of the Palestinians. UN General Assembly Resolution 194 (1949) affirmed the right of return of Palestinian refugees and stressed the requirement for Israel to compensate them for their losses.²⁰⁶

Following the armistice, Palestinian nationalism nearly disappeared. This was primarily due to the fact that President Nasser of Egypt assumed representational responsibility for the Palestinians in Gaza, and King Abdullah of Jordan assumed their representation through his annexation of the West Bank and the east of Jerusalem.

The Arab Summit of January 1964 approved the establishment of a Palestinian national organization. In May 1964, the first Palestinian Nationalist Congress (PNC) created the Palestine Liberation Organization (PLO) and a Palestinian Legislative Assembly (PLA). By creating these organizations, Arab governments granted increased legitimacy and provided a central authority for reaching any future agreement.²⁰⁷

The Six-Day War of 1967 however, illustrated the extreme vulnerability of the movement and the need for further organization and bureaucratic controls. The 1967

defeat demonstrated that the Arab nations were, and for the foreseeable future would remain, militarily ineffectual against Israel. The war also demonstrated that Pan-Arabism was not going to solve the Palestinian dilemma. While the withdrawal of Syria from the United Arab Republic (UAR) in 1961 illustrated that the greater Arab Nationalist objectives would not be the promised path towards a Palestinian national identity, the war showed that Arab military power could similarly not assure defense of the Palestinian homeland. Moreover, defeat opened the door for the need for a more radical approach to achieve their objectives. The Palestinians came to view that they had two options to gain control of their homeland. First, they could concentrate on the development of a political structure from which to organize armed conflict with the Jews, or second, they could pursue violence with the Jews as a method of rallying and organizing the masses. In either event, future action would need to be pursued on their own, and without reliance upon their weak and disorganized Arab neighbors.²⁰⁸

In January 1969 Fatah, the political arm of the PLO proclaimed for the first time, initial acceptance of the right of the Israelis to reside in Palestine. They stated: "There is a large Jewish population in Palestine and it has grown considerably in the last twenty years. We recognize that it has the right to live there and that it is part of the Palestinian people. We reject the formula that the Jews must be driven into the sea.... What we want to create in the historical borders of Palestine is a multiracial democratic state....²⁰⁹

In December 1970, 'Arafat called for: "a democratic, non-Zionist, secular state where we would all live in peace and equality as we did for thousands of years. If the Zionists would accept this principle, we could share power on a democratic basis. We would not insist on having an Arab majority."²¹⁰ This position was modified slightly by the PLO when in 1974, the PNC introduced the concept of the staged liberation of Palestine – *marhaliyya* – as a tactical imperative to exploit realistic conditions of negotiation.²¹¹

In Algiers in 1983, the PNC formally adopted a two-state solution. Later, in November 1988, the PLO aligned its policy for a future Palestinian state based on UN Resolution 181 and the partition of Palestine into two states. At this meeting, 'Arafat convinced the PNC to endorse UNSCR 242 and 338 and thus to indirectly recognize the

right of Israel to exist. Later, on 3 May 1989, he stated the end of the PNC's call for the destruction of Israel.²¹²

But during this period, internal politics and the influence of great powers alone were not the only reasons for the development of the seemingly intractable conflict. International organizations, including the UN, attempted to intervene and mediate affairs. They too, despite their best attempts, added confusion to an already difficult situation.

Two significant resolutions of the UN fanned the desires of the Palestinians to oppose the formation of the State of Israel and to seek the creation of their own homeland.

UNSC resolutions 242 and 338 together seek to define peaceful resolutions of past conflicts and propose points of departure for future solutions. In terms of their provisions, UNSCR 242 (November 1967) recognized no acquisition of territory by war. It stated that the establishment of a just and lasting peace must include withdrawal of Israeli forces "from territories occupied in the recent conflict." Furthermore, it sought "termination of all claims or states of belligerency and respect for and acknowledgement of the sovereignty, territorial integrity and political independence of every State in the area." Finally, it attempted to guarantee "their right to live in peace within secure and recognized boundaries free from threats or acts of force."²¹³

For its part, UNSCR 338 (October 1973) sought to implement the provisions of UNSCR 242 and to create negotiations "aimed at establishing a just and durable peace in the Middle East."²¹⁴

Both sides utilized these resolutions to substantiate their political positions. For Israel, the provisions demand the end to hostility and the right to live within secure and recognized borders. For the Palestinians, the resolutions dictate the return of territories acquired by Israel during the war (Gaza, the West Bank, and the Golan Heights) and the requirement to reach a just solution through peaceful negotiations rather than through force. These baseline positions shape all that occurs between the two opponents.

CURRENT – ECONOMIC PROMISES LEFT UNFULFILLED

The US declaration of intent to support the evolution and ultimate creation of a Palestinian State validated the development of state-like institutions by the PA in Palestine. While the US declaration was to have been made by Secretary of State Powell in a speech to the UN General Assembly, this event was postponed by the events of 11 September 2001. Only days later, President Bush, indicative of his endorsement of “land for peace,” declared, “We are working toward the day when two states – Israel and Palestine – live peacefully together within secure and recognized borders as called for by the Security Council resolutions.”²¹⁵ Israel seemed to immediately support the US as illustrated by a speech made in Washington, DC on the same day in which Shimon Peres stated “we are ready to make compromises because the logic of democracy and the logic of geography call for having two states.”²¹⁶

Recognition of Palestinian statehood followed a long series of actions on the part of the PA to create the image and the institutions of a modern state in the Post-Oslo environment. Previously, the PA established an Independence Day in November to coincide with the 1988 PNC Declaration of Independence. It created an Interior Ministry to issue Palestinian passports. It began its own airline, operating from the state’s own international airport in Gaza. PA representation in the UN was raised to observer status. The PA declared the *al-Hakawali* Theater in Jerusalem as the national theater. It sent a team to participate in the 1996 Olympics, entering the stadium carrying a Palestinian flag.²¹⁷

Oslo itself may have served as the defining moment for Palestinian statehood. For the first time, Oslo created an atmosphere where negotiations were possible between an existing state and a legitimate body -- the PLO -- and committed both sides to permanent status negotiations. It changed the conflict from one over identity to a conflict of politics. It created the need for the Palestinians to fulfill the functions of a government. It authorized the Palestinians to assume control of internal affairs of the WBG including taxation and police responsibilities. The negotiations permitted the election for a Palestinian council, and set a timetable for final status talks to begin.²¹⁸ It permitted Palestinian residents within Jerusalem to participate in autonomy elections (although Jerusalem itself was held outside of the autonomy talks). The agreement

transferred five governmental functions to the Palestinians, including health, education, tax collection, tourism, and welfare operations. Oslo also fixed Palestinian responsibility to control threats to Israel from outside of the territorial confines of the two states.

But the road to the acceptance of the concept of a Palestinian State has not been a smooth one for the PA. Corruption, inefficiency, patronage, and bureaucratic waste have plagued its ministries and organizations. Across ministries, the PA needs to clarify the boundaries of responsibility. The lack of clear ministerial chain of responsibility makes the overall plan for private sector development fragmented, poorly coordinated, and often at cross purposes between agencies. Duplication of effort between agencies and overstaffing reduces efficiency. PA ministerial inefficiencies have been difficult due to the fact that their oversight is separate between the territories of the West Bank and Gaza and has been worsened due to movement restrictions resulting from the Intifada. The nature of hiring practices, use of *wasta* (connections) and other forms of patronage-based bureaucratic hiring further weakens the institutions. Personality-based hierarchies reduce the effect of rules-based systems. Perhaps most importantly, these patronage-based systems tend to maintain the status quo rather than seeking to enact needed political reforms.²¹⁹

The UN Refugee Works Association (UNRWA) itself may have also unintentionally undermined the social legitimacy of the PA by offering higher quality services, and more importantly, better jobs than those channeled through the PA. Hisham Sharab has stated: “The partisan and patron-client relations within the (PLO) bureaucracy seriously interfered with the effective management of public services.... Factionalism, which sometimes took the forms of “clannishness” and “localism,” posed a serious problem....”²²⁰

These bureaucratic inefficiencies may be explained by several factors. The successes or failures of these bureaucracies must be viewed through the lens of the need for the PA to simultaneously consolidate its position within WBG, establish social service institutions, and maintain its negotiating position vis-à-vis the Israelis while creating stability within the territories. Thus the PA leadership has been unable to focus solely on bureaucratic, economic, and development issues.²²¹

On the positive side, the extent of financial aid and the degree of project penetration of the international community have been significant and have done much to support the state-building efforts of the PA. Along with individual country donors and those of regional organizations such as the EU and the GCC, 14 UN agencies are involved in institution-building.²²² The rural development program begun in 1993 was originally operated through the UN Development Program (UNDP) and was a model of decentralization. Within this program, projects were determined at the user level and donor financing transferred directly to that level rather than being routed through the central government. This eliminated bureaucratic layering and additional opportunities for corruption.²²³ Elsewhere, in the transportation sector, since 1994, \$128M has been committed and \$44M disbursed for the Gaza airport, plans for a Gaza seaport, and rehabilitation of WBG roads.²²⁴

Unfortunately, continued development for Palestinian statehood has ceased, for all intents and purposes, based on the failed Camp David 2000 negotiations and the resultant advent and continuation of Intifada II. Israel's Camp David border proposal created salients which consisted of 5-6 percent of Palestinian land but which divided the West Bank into three disconnected portions that would not create a viable Palestinian state with a contiguous border.²²⁵ Following the breakdown of the negotiations, Palestinian Authority Representative Hasan Abdul Rahman, stated that the Palestinians were willing to deal with the issue of the security much as had Egypt, with arrangements for disarmament or on inter-positional force, but not at the expense of yielding territory.²²⁶ The Intifada itself has significantly diverted both the focus and the financial capabilities of the PA to pursue additional state building. The number of Palestinians working in Israel, Israeli settlements, or Industrial Zones declined 93 percent between the 3rd and 4th quarters of 2000, from 52,000 to less than 4,000. This has a huge effect not only on wages returned to the territories, but also in terms of state revenues collected on the earnings. Reductions in employment, combined with high population growth caused per capita income to decline 4.1 percent while shortfalls in tax revenues and continued withholding of taxes by Israel will lead to a \$371M budget deficit in 2001.²²⁷ During the same time period, imports have declined 37 percent and exports 15 percent.²²⁸

Of perhaps greater concern, the magnitude of international aid has simultaneously been reduced. Registered projects within the Palestinian Investment Promotion Agency declined 73 percent from \$134M in 1999, to \$36.6M in 2000.²²⁹ This has resulted in the fact that between October-December 2000, 32 percent of all Palestinians (more than 1M) have received some emergency assistance.²³⁰ When combined with the diversion of international aid to address the immediate food, health, and employment shortfalls, the development cycle, and its ability to improve living standards in the long-term, have been significantly retarded.

FUTURE – BEING A STATE WILL CREATE A STATE

It does not matter when the Palestinian identity arose—even if it did not develop until, and in response to, the infusion of Zionism into the region. The Palestinians are now a people who must be dealt with as a nation whether they have achieved, or been “granted” the political boundaries of a true nation-state. Their status within the UN and their representational facilities in world capitals all indicate statehood. Their position in world affairs is now permanent.

The creation of the state, its actual declaration, can and will serve as a forcing function on the PA. They will no longer be permitted to inadequately meet their responsibilities to provide for the needs of the population. The withdrawal of the IDF and the settlement communities will allow the formation of the Palestinian communities, and will “force” the development of Palestinian institutions that will govern the new state. An institution that addresses public demands, eliminating the perceived need for the public to resort to violence, formalizes and legitimizes the bureaucracy itself. Only by truly defining the state of Palestine -- through the creation of centralized and responsive institutions -- will self-rule take root. By not being forced to prove their legitimacy to the Palestinian people, the PA leadership achieves the position of authority but not the responsibility of government.

The new Palestinian government must make the conduct of normal government operations -- schools, tax collection, security and police operations, and courts -- routine.²³¹ ‘Arafat needs to be able to show that state building is succeeding. Failure to

do so strengthens the radical opposition, weakens his position in future negotiations with the Israelis, and reduces the chance for stable peace.

The psychology of statehood also should not be minimalized. The creation of a state, the development of membership in it, the ability to offer actual settlement and citizenship, the expenditure of resources and investment to develop a viable economic entity, all will create a desire to maintain a state able to remain at peace with its neighbors. Moreover, the establishment of a Palestinian state might provide the psychological impetus for Palestinians under occupation and those of the Diaspora to be more willing to accept minimalist territorial acquisitions – to settle for what can be – not solely what is desired. To successfully create this psychology of statehood, the final disposition of clear and delineated borders must take place. The current isolated, fragmented and unlinked territories are neither integrated by social nor economic activity. Trade and labor restraints help to keep this integration from occurring, and enhance the continuation of factionalism within the territories.²³²

An alternative solution to a negotiated final border arrangement would result from the unilateral redeployment of the IDF from the territories to create a forced disengagement. This would provide the Palestinians with a viable and contiguous state while giving Israel shorter, more defensible borders. Most of all it could keep the two populations separated and better able to isolate them from daily contact and resulting friction. Many, myself included, do not agree with this proposal. Any unilateral declaration of a border between the states will only serve to make that border the new point of contention.²³³

In the final analysis, the Palestinians will need to propose a detailed plan as to what they would be willing to accept. This plan does not, at least initially, need to be acceptable to all Israelis. It is more important that the Palestinians show that they are willing to make a proposal -- of their own accord -- that would end the conflict.²³⁴

FUTURE CHALLENGES

Once an actual state is created, the Palestinians may find that future needs will grow more difficult, not less. A more vibrant economy will result in even more demands on the state service sector. Like all emerging countries, Palestine will be faced with a

rising standard of living dilemma. As the economy improves, consumers will begin to demand capital intensive and higher technology goods and increased imports. The improved living standard will result in urbanization and the necessity for expanded infrastructure and social support mechanisms. In addition to the inherent internal demands, population growth, resulting from natural growth, returning refugees and returning non-refugee expatriate workers, will greatly increase demands for responsive government.²³⁵

Of significance also for the Palestinian Treasury will be the future effect of continued public employment. Work in the government sector puts an immediate salary burden on the treasury. In 1998-99, 58 percent of PA expenditures were utilized for salary, and this was expected to grow to 60 percent in 2000.²³⁶ In the longer term, large numbers of public employees will necessitate large future pension outlays.

In parallel, as the government makes infrastructure improvements, long-term recurrent operation and maintenance expenditures must be factored into budget projections. Many ministries continue to underestimate recurring costs, as these costs are often financed by aid donor contributions. Facility maintenance costs, due to the recent construction of many schools, hospitals, clinics, etc., have been ignored. The Ministry of Finance and MOPIC need to include these types of recurrent costs in development plans. Future costs of operating the state can only rise.²³⁷

The PA is aware of these issues and is attempting to determine future requirements. They have recently established a ministerial-level committee to examine current governmental performance and will recommend required change. The Higher National Committee for Institutional Development seeks to improve accountability and transparency. Its six committees (political and strategic, fiscal reform, administrative reform, judicial sector reform, health sector reform, and retirement and pension planning) will identify needed reforms.²³⁸

The ultimate formation of the state will improve Israeli security, and may also serve to reduce terrorist activity and the ongoing war on terrorism. It is a fallacy to suggest that Israel would be less able to defend itself if a Palestinian state existed. As a sovereign state, Palestine would have legal obligations to protect the borders of its neighbor, or would expect that Israel would defend itself. It can be argued that the

Israelis would be more willing to take direct action against a state failing to meet its international obligations, than a non-state entity failing to meet international norms. Additionally, security comes from Palestine being cognizant that it cannot afford, for its own economic and political welfare, to allow terrorism. Failure to control terrorist acts from its borders will force Israel to militarily respond into Palestinian sovereign territory. The Palestinians will likely be unwilling to accept the humiliation of such an incursion.

Moreover, it can be argued that the formation of the Palestinian State would better align the counter-terrorist efforts of the PLO/Arafat with those of the US and the West. As a recognized state with international responsibilities, Palestine would be forced to exert more of an effort to control terrorist activities.

In the end, both sides must compromise, must realize partial achievement of long-held territorial desires. This solution will be, as declared by former-President Clinton before the Israel Policy Forum in New York on January 7, 2000, that:

[T]here can be no genuine resolution to the conflict without a sovereign, viable, Palestinian state that accommodates Israel's security requirements and the demographic realities. That suggests Palestinian sovereignty over Gaza, the vast majority of the West Bank, the incorporation into Israel of settlement blocs, with the goal of maximizing the number of settlers in Israel while minimizing the land annexed; for Palestine to be viable it must be a geographically contiguous state.²³⁹

JERUSALEM

HISTORY – HISTORY SUPPORTS BOTH ARAB AND JEWISH CLAIMS

While the issue of settlements is the most visible problem facing future negotiations, perhaps the most difficult issue to resolve in Israeli-Palestinian negotiations is the handling and final status arrangements for the city of Jerusalem, religiously important to both parties and claimed as the capital city by both antagonists. Much of the history of Jerusalem parallels the history of the formation of the Palestinian State. Many of the political positions and proclamations, which apply to Israel and Palestine, have applicability to Jerusalem, while others are primarily focused on conditions of the city. Historically, Jerusalem was the former capital of the *sanjak* of

Jerusalem in the Ottoman Empire.²⁴⁰ UN General Assembly Partition Resolution 194 III (November 1947) delineated the creation of both a Jewish and Palestinian state and a corpus separatum under UN-trusteeship – for Jerusalem, which was not seen to be part of either state. Since its 1967 occupation of the West Bank, Israel has adhered to the concept of maintaining a united East and West Jerusalem as the capital of the State of Israel. The World Zionist Congress has reiterated this position each year since 1968.²⁴¹ More recently, the PLC Basic Law of 15 August 1996 established “... the right for return, self-determination and the establishment of the independent Palestinian state with Jerusalem, as its capital.”²⁴²

In February 2000, the Vatican signed an agreement with the PA that called for “an equitable solution to the question of Jerusalem.” It went further by stating, “unilateral decisions and actions altering the specific character of Jerusalem are morally and legally unacceptable.”²⁴³

As if the conflicting and adversarial positions of Arabs and Israelis were not enough, the US, through its own policy, further obscures a clear solution to the dilemma of the city. Perhaps nothing better illustrates the problem facing the city as well as the situation surrounding the handling of US diplomatic representation to both the State of Israel and the PA. Currently, the US embassy is located in Tel Aviv. A second consulate, subordinate to the embassy in Tel Aviv, and with primary reporting and representational responsibilities to the PA, is located in Jerusalem. For years, this arrangement has been under review by the US Government. Until 1988, the US Congress had voiced support for the transfer of the US embassy from Tel Aviv to Jerusalem, but took no legislative action to effect the move. The Helms Amendment (July 1988), to PL 100-459 established the intent to open two “diplomatic facilities” in Tel Aviv and Jerusalem.²⁴⁴ The Jerusalem Embassy Relocation Act (October 1995) directed the relocation of the US embassy from Tel Aviv to Jerusalem. Anticipating administration opposition to this directive, the Act created the threat to impose harsh punitive measures including the threat to halve the DoS maintenance and building budgets until the move was completed.²⁴⁵ To date, all administrations have been able to submit waivers to this relocation requirement and have thus avoided the punitive action. The embassy remains in Tel Aviv.

However, in response to the directive to move the embassy, the US Government identified property in West Jerusalem and signed a 99-year lease for land at a cost of \$1 per year.²⁴⁶ This action created Palestinian opposition based on the assertion that the proposed property was Palestinian refugee land confiscated by the Israelis. More importantly, the PA alleged that the property was a part of an Islamic *waqf*, or religious endowment. As such, it can neither be bought, sold, nor transferred.²⁴⁷ It is to this problem specifically and the future general handling of Jerusalem that I now turn.

FUTURE – DUAL STATE CAPITALS

In one variant or another, the future of Jerusalem will be to serve as the capital of two states. “Jerusalem should be an open and undivided city, with assured freedom of access and worship for all. It should encompass the internationally recognized capitals of two states, Israel and Palestine.”²⁴⁸ It must represent the concept of non-exclusivity, co-equality, non-dominance, co-sharing, non-coercion, and justice.²⁴⁹ To the Israelis, establishment of Jerusalem as its official capital, recognized as such by the international community, will complete the century-long endeavor to establish a Jewish state in Israel. Establishing a Palestinian capital in East Jerusalem will be significantly beneficial to the future state, as it will serve a multitude of functions necessary for the economic and political viability of the Palestinian community. It will serve as the cultural center of the Arab world, replacing Beirut as a metropolitan gathering place. It will serve as a religious center by hosting Islamic and Jewish conferences and fostering pilgrim-related industries.²⁵⁰

For ‘Arafat to facilitate the creation of a Palestinian capital in the city, empowerment by the Arab community is critical. As recently reported, Camp David (July 2000) failed on the basis of Jerusalem. ‘Arafat was unable to accept the Israeli proposals, believing he did not fully represent all other Arab countries. The Arabs had not empowered him to work a mutually agreeable solution, and thus he approached the negotiations seeking an agreement only to benefit the Palestinian people.²⁵¹ The international community must work to create support by the Arab states to enable ‘Arafat -- without their interference during negotiations -- to reach agreement on Jerusalem. Their position must be one which enables ‘Arafat to reach a solution

acceptable to those he represents -- the Palestinians -- and which is also acceptable to the whole of the Arab nations. We must approach the issue of Jerusalem not as a Palestinian-Israeli issue, but as an Arab-Israeli one. As an Arab-Israeli issue, the bilateral efforts of the past should be abandoned in favor of a broader approach. In other words, no initiative can succeed unless there is a regional consensus concerning the strategic end-state of that settlement. Close consultations with all stakeholder nations of the region will be necessary.²⁵²

I feel that two proposals concerning the future of Jerusalem have promise. This promise is not based on equality or recognition that one side has a stronger historical, religious, or property claim to the city. Rather, hope is based on the perception that given a solution, accepted by appropriate authorities, human predisposition is to make an agreed-upon solution work. With this as a first assumption, the solution for Jerusalem may be maintenance of the status quo. As set in motion by Defense Minister Moshe Dayan following the 1967 War, the Arabs were to administer the holy places on the Temple Mount, while Israel would supervise the overall security of Jerusalem. This arrangement has generally succeeded and has recently been supported by the Israelis.²⁵³ Despite the fact that final status talks broke down at Camp David 2000, Israel appeared willing to discuss a solution to the city. Barak offered the Palestinians administrative autonomy over Arab neighborhoods, a degree of sovereignty over Muslim neighborhoods in the old City and the Haram al Sharif. This was a first.²⁵⁴

A second proposal is to have shared Israeli and Palestinian sovereignty in Jerusalem with open access between the two. External border controls maintained on the outskirts of the city would guarantee inter-city security.²⁵⁵

As previously mentioned, the issue of the US embassy is extremely problematic for future negotiations. Examination of the proposed new US embassy site through its property specifications and historical documentation illustrates that 70.52 percent of the property was indeed confiscated Palestinian land. The remaining land (from 26.55 to 35.29 percent) appears to be *waqf* land. Moreover, ownership of the land raises even more complicated issues. By tracing the genealogy of those who originally were bequest the *waqf* land, 90 US and 43 Canadian and European descendants have been identified.²⁵⁶ Getting the concurrence of each to permit building on the land will be

extremely difficult. Alternative land -- with the help of the PA, the Israelis and Palestinian property authorities -- is necessary to eliminate the issue of land ownership from clouding the fact that the US will establish an official embassy in Palestine.

Without this agreement, from the Arab perspective, transfer of the US embassy from Tel Aviv without reciprocal establishment of an embassy in the Palestinian entity will signal a significant departure from recent US support for Palestine. US construction on the proposed site will be seen as a disregard for the four primary issues that remain in final status negotiations: Jerusalem, refugees, settlements and borders. Transferring the US embassy to Jerusalem will be seen as reinforcement of Israeli sovereignty. It will be viewed as acknowledgement of the legitimacy of Israeli settlements in Jerusalem, and will rationalize confiscation of land owned by the refugees. Moreover, it accepts -- at least in Jerusalem -- the delineation of the borders between the two states.²⁵⁷ The US must not, by default, "create" a solution for the city. Only the two states should work to and achieve the end result. The disjointed approach to US relations with the Palestinians as exemplified by the maintenance of a separate but not independent Consulate in Jerusalem must end. Adding a country team, one solely focused on Palestine, will permit US representatives to focus more on the advocacy aspects of US policy representation -- trade promotion, encouraging improvements in democracy and human rights -- rather than solely on reporting issues dominated by ongoing violence.²⁵⁸ It is irrelevant whether we call the organization an interests section, a consulate, or an embassy. The creation, in the near term, of a Palestine "country team" is essential to properly represent US policy and pursue US interests. And, this body must be independent from its sister organization in Tel Aviv.

Nowhere else that I know of do we attempt to maintain one embassy to represent the interests of two peoples -- and expect it to do so with equal treatment. It could be argued that the peoples of North and South Korea or those of the People's Republic of China and Taiwan are one people and as such can be satisfactorily represented through one US embassy. Yet we staff two facilities due to the often-divergent viewpoints of the parties. The Palestinians are not a separatist movement. They are a nation that we should respect with an independent embassy.

An adjunct concept of the US embassy representation to the Palestinian State is the alignment of the future state within the Department of Defense Unified Command Plan (UCP) delineation of responsibilities to regional Commanders in Chief (CINCs). The current UCP placed most Arab countries under the watch of US Central Command (CENTCOM), while the countries of the Levant, including Israel, Lebanon and Syria were placed under the auspices of US European Command (EUCOM). This arrangement has partially designed to put the countries of the Levant, with their primarily French Protectorate history, together with Turkey in EUCOM, while placing the primarily former British Protectorate regional countries, which also share a common recent history, in CENTCOM. This arrangement eliminated the primarily Arab-focused CENTCOM from having to play both sides of an issue with the Israelis, allowing EUCOM to be the primary interlocutor with the IDF. While discussions of the continued relevance of the configuration occur occasionally, no discussion on the placement of a Palestinian state has been considered.

The future Palestinian State should be placed in CENTCOM for UCP purposes. By so doing, the Department of Defense would avoid a conflict in CINC focus. From the regional CINC perspective, this arrangement would permit/continue the ability to "plausibly deny" discussions of the Israeli-Palestinian conflict with regional partners, as both are not within either of their scopes of responsibility. The rationale that has long been posited as to keeping Israel out of the CENTCOM AOR can be inversely applied as to why Palestine should be placed under its auspices. First, separation allows the CINCs to engage their respective countries without political seams. There is no need to balance engagement based on the desires or positions of doing so as expressed by the other side. Second, inclusion of Palestine in CENTCOM would eliminate an operational seam and facilitate the war against terrorism.

Another possibility exists, whereby a future Palestinian state could remain "independent" of CINC oversight and become the responsibility of the Joint Staff. This was done with the former Soviet Union and remains in effect for Russia today. This possibility has also not been discussed to date.

WATER

CURRENT – ISRAELI WATER ORIGINATES IN THE TERRITORIES

One of the most discussed issues by those familiar with the Palestinian-Israeli problem, yet most often ignored by those unfamiliar with the intricacies of the region is water. Much has been written on the history of water access, problems of its use, and unbalanced levels of consumption. A brief summary of the points follows, prior to a discussion of what must occur in the future to ameliorate some current and anticipated problems.

One river, the Jordan, its four tributaries the Hasbani, the Dan, the Banias and the Yarmouk, and four primary aquifers provide the water resources for the area. These aquifers include the coastal aquifer that lies completely within the Green Line, and runs parallel to the Mediterranean. The remaining three are partially/entirely within the West Bank.²⁵⁹

In historic terms, allocation of water for the region's inhabitants has been guided by several agreements. According to the 1920 Anglo-French convention, water priority was given to Syria for water from the upper Jordan and Yarmuk Rivers. Palestine was to have the right to any residual water from these sources. In 1953, US mediator Eric Johnson in the plan bearing his name, affirmed the Anglo-French allocation to Syria, and addressed the needs of Jordan as well. The Johnson Plan extended the convention by allocating fixed water quotas to each riparian. While not ratified by the riparians, it became the customary usage law between Jordan and Israel.²⁶⁰ Johnson's allocations were developed, somewhat fairly, by utilizing the universally-accepted guidelines for determining water allocations which include prior use, social and economic needs, the capability of riparians to acquire alternate water sources, and avoidance of appreciable harm to one riparian by another.²⁶¹ Over time, as consumption has grown, these allocations have created water shortfalls of 100-200M cubic meters for Jordan, WBG 200-400M cubic meters, and 200-400M cubic meters in Israel. Thus, nearly 1B cubic meters of water are short across the states of the region.²⁶²

As a result of the 1967 War, Israel acquired all water sources west of the Jordan River, including the extensive resources of the mountain aquifer. This created the circumstance where nearly 60 percent of Israeli water usage now originates outside its 1967 borders. The aquifers alone provide 40 percent of Israel's water.²⁶³ The acquisition of the territories and water of the West Bank present several problems to the Israelis. First, Israel worries that if they do not continue to control the sources of water, especially the aquifers of the West Bank, they may be overly exploited or polluted by the Palestinians, or become brackish and unusable.²⁶⁴ Secondly, from a strictly financial perspective, the water from the aquifers is worth, in terms of replacement costs, nearly \$1.5-2B a year, if Israel were to be forced to forego these sources and develop other -- presumably those such as desalination -- water sources.²⁶⁵

Inequality of consumption exists in the area. The Palestinians utilize 71 percent for agriculture, 26 percent for household consumption, and 3 percent for industrial use. This level of consumption is significantly below the World Health Organization minimum standard that limits future potential for economic development.²⁶⁶ Israel also extensively uses water for agriculture. Estimates for 2000 were for 58 percent of available water to be used for agriculture, 35 percent for domestic consumption, and 7 percent for industrial usage.²⁶⁷

While unequal in use, the need for water re-allocation is recognized and both sides have pursued modification as a part of recent negotiations. Three water agreements have recently been reached. In the Declaration of Principles (DOP) (article III. I) (September 1993) equitable allocation of water rights and joint management is discussed. The Cairo Agreement (Annex II. 31) maintained the status quo in water allocations in Gaza and Jericho, but transferred water management to the PA for areas under its control. The Taba accords gave the Palestinians "additional water and maintained the settlement water supply at pre-existing levels."²⁶⁸

The US has committed considerable investment to improve access to water and to improve its economical use. USAID works closely with the Palestine Water Authority (PWA) to develop water projects. Between 1995 and 2001, USAID invested \$250M in water improvement and in training locals to maintain new water systems. The USAID water project at Ein Sultan refugee camp brought water for the first time to 3500

refugees in 2001.²⁶⁹ As a result of ongoing violence, however, some funding for WBG water projects has been redirected to create employment and respond to emergency requirements including medical care. The USAID water project in the West Bank, valued at \$110M, continues and will bring water to 40,000 while treating pollution.²⁷⁰

FUTURE – SUFFICIENT WATER EXISTS, IF UTILIZED INTELLIGENTLY

In terms of furthering cooperation on water, and attempting to expand available water resources to meet the consumption needs of all inhabitants of the region, the future holds promise. To achieve equitable water use, however, the water regimes must be altered to make water available to all. Changes in agricultural use, revised future international water projects, and the provision of further US resources, especially those of the Department of Defense, can make a positive contribution.

The primary method to reduce water consumption is not more water, but less Israeli agriculture. Reducing crop production will make water available for other needs. A basic economic reality would be realized in Israel if water used to grow crops were provided to the Palestinians. Due to the fact that Palestinian labor is less expensive, production of the crops and subsequent cost at Israeli markets would be lower.²⁷¹

Not only is a change of actual agricultural crop production a method to reduce water consumption, but a reduction in economic incentives -- which actually increase water consumption -- should also be pursued. By reducing water subsidies, Israel can illustrate the extent to which it is an economic democracy where supply and demand is the guide for pricing instead of the desire, based on nationalist pride, of being agriculturally self-sufficient. As water is extensively subsidized, it is often inappropriately used to grow crops that could be better produced elsewhere. Charging a true value for water would induce farms to conserve water. Another method, such as administrative restrictions -- mandated limits to the amount of agricultural land -- can enforce water use. In any case, without efficient pricing mechanisms, the use of water will continue without consideration for its value elsewhere within the region. By treating water as a commodity, instead of a cheap "right," economic principles of supply and demand will naturally steer usage towards more conservation.²⁷²

Aside from the management of water, some actions can actually increase the supply of water. These include cloud seeding, desalination, water importation, floodwater trapping and sewage water recycling. General irrigation must be replaced by drip, bubble or micro-spray irrigation. Agriculture within greenhouses and water movement within pipes instead of open-air canals will reduce evaporation.

Various, somewhat ambitious, projects have been proposed for the region to increase water availability. While most are long-term and extremely expensive, they may be worth considering. On the achievable end off the project list, diverting water from the Yarmuk River into the Sea of Galilee (Lake Kinneret) and its subsequent transfer into Jordanian and Israeli irrigation systems could be done for low cost (\$.01 per cubic meter). A previously proposed Peace Pipeline connecting Turkey with Syria, Jordan, Saudi Arabia, and the Gulf States could provide additional water. The pipeline would be nearly 4100 miles long, would provide Turkey with revenues of nearly \$2B for currently unused water, but would greatly increase dependence of Arab states on the continued good will of Turkey. It would also increase second order dependence by those nations further down stream, by mandating the maintenance of good relations between Arab neighbors through which the pipeline would flow. Its cost, \$21B, may well be prohibitive.²⁷³

Other projects seem cost prohibitive, but have been offered as possible solutions to limited water availability. These include the Strauss Plan to use nuclear power plants to produce desalinated water, the Nile-Negev Water Pipeline diversion of water across the Negev, and the Mediterranean-Dead Sea and Red Sea-Dead Sea projects to produce electricity potentially for use in desalination, but no direct increase in water supply.²⁷⁴

To improve water management and usage, the Department of Defense can be integrated into the planning and execution of future water projects. The Department of Defense is not a long-term solution for the problem of water availability, but could be introduced to further the development of water projects and to illustrate the extent that low-level projects can make a qualitative improvement in water programs.

Regional CINCs can design and fund water-related projects as either Deployments for Training or Overseas Deployment for Training (DFT/ODT) missions. While the

principal focus of these exercises is to enhance training for deployed US engineer units, projects can be designed to enhance conditions within target areas as well. US Coast Guard (USCG) Marine Environmental Protection (MEP) training and assistance can be utilized to assist Palestine to develop its own plans to deal with environmental crises such as petroleum spills and to improve their response capabilities. This may be of increasing importance as the Palestinians develop their own indigenous oil/natural gas exploration projects.²⁷⁵ Moreover, the USCG can conduct Traditional CINC Activities (TCA)-funded “port and environmental security assessments” of ports such as Gaza.

Humanitarian Assistance (HA) and Humanitarian Civic Action (HCA) programs can be utilized to improve water quantity and quality. Specifically, military units can drill new wells, improve existing wells, and make improvements in production capacity. Engineer Related Construction (ERC) projects can likewise be used to enhance distribution systems (although this construction must be a part of, or in support for, a JCS-approved exercise).²⁷⁶

The Department of Defense also possesses an organization, the Corps of Engineers (COE), with significant expertise in land and water management issues. The COE could help Palestine to examine the need for infrastructure development. Often in conjunction with other US development agencies, such as USAID, the COE can help to study and design projects to better/more efficiently exploit available water resources, although it cannot provide continuous management of foreign programs. Furthermore, the COE Institute for Water Resources, based at Fort Belvoir, VA, can help to provide water assessment, planning, and urban water supply models to water planners and water managers. The organization has become the US Government’s most experienced agency for inter-disciplinary analysis of efficient uses of water.²⁷⁷

Aside from changing the water usage habits of the region’s inhabitants, potentially pursuing projects to make additional water available to the region and bringing additional US resources to program exploration and management, the ultimate solution to water shortage problems will come down to cooperation between the Palestinians and the Israelis. In the end, the final status accords vis-à-vis water will have to create a joint management procedure that is more in response to hydrologic boundaries and based less on political necessities.²⁷⁸ Ultimately Israel may be required to sign water

agreements as it has done with Jordan. If this is the case, the result may be that it will need to provide 150M cubic meters of water to Gaza, and up to 100M cubic meters to Syria and Lebanon (in accordance with the allocations delineated in the Johnson plan). This would result in the provision of nearly 500M cubic meters (25 percent) of their current water to its neighbors. In return, Israel will demand West Bank recycling efforts to ensure that sewage does not enter the aquifers that would further reduce Israeli water availability.²⁷⁹

In sum, the future role for the US may be to identify technical and financial assistance as a means to determine additional sources of water, ways to conserve existing supplies of water, and methods to improve water quality. Lost access to water by the Palestinians cannot be overcome by increased foreign assistance. As it is primarily an agricultural society, the first steps toward economic revitalization must include water re-allocation.

PUBLIC DIPLOMACY – WE CAN “SELL” OUR POLICY APPROACHES

Too often, the US and the West are relegated to public diplomacy inaction based on the perception that the inhabitants of MEAF are unchangeably opposed to our positions and policies. Some authors take an apologetic approach to explain the anger in the Middle East, stating that anger towards the West is to be expected considering our hegemonic approaches to policy there. Based on our reliance on oil, the necessity to maintain access to strategic waterways, our desire to confront the Soviet Union during the Cold War, and the support for the establishment of Israel, we have often ignored the desires of the countries of the region. The West will remain reliant on oil, will continue to support Israel and will continue to pursue its own strategic objectives. What we must do, however, is to include the formation of a Palestinian state, a state that can support our regional goals, in these objectives. By so doing, we can better illustrate a balanced regional approach that may reduce overall opposition to other US objectives. Moreover, we must take every available opportunity to diffuse suspect US actions in the region and to repeat, as often as is required, our regional objectives.

In order to do this, we must attempt to create an atmosphere within the region conducive to improving understanding of US values to include our political process and

the importance of democracy. The US must enhance its outreach program and improve education and cultural programs across the region.²⁸⁰ We should focus first upon existing modes of information dissemination including the 400 Israeli and seven Palestinian newspapers, and the 36 Internet Service Providers (currently reaching only 23,520 (1999) Internet users) to expand access by all regional inhabitants to information.²⁸¹

Utilizing these capabilities, we must attempt to enhance and re-enforce our efforts at promoting our public diplomacy. The US should work with state-run media networks, including *al-Jazeera*, to have speakers present the US point-of-view. This presentation should provide Arabic speaking US diplomats and policy-makers to address US policy in the region. Local US embassy personnel should address civic institutions. We should seek cooperation between Hollywood and the Voice of America (VOA) to produce professional presentations for local area broadcast. The USIA, now subsumed into the Department of State, should expand efforts to provide Arabic language elementary and secondary school books and materials to provide a balanced view of world events to local schools. We should allow USAID to advertise their success stories and publicize US NGO work to improve regional perceptions of our aid objectives.²⁸² Finally, explanations of the role of religion in US society may reduce the regional perception of the US as godless society. This is somewhat in conflict with the US Government aversion to proselytizing, but may pay benefits.

In addition to expanding the message and reach of the VOA, the US is currently attempting to expand transmission of the US message. The US Government has allocated \$30M to establish a radio network targeting young Arabs. A 600KW AM transmitter has been acquired on Cyprus, with plans for acquisition of two additional AM and 11 FM transmitters. The financing for this project is substantial, with investment exceeding by a factor of six the allocation to VOA. In addition, private investors are examining the potential for private investment in TV if the government determines further investment in this medium is not feasible.²⁸³ USAID is also funding the development of another television network in the territories, along the lines of the US C-SPAN network, to improve the public perception of the PLC. This will expand the

impact of the development of democracy, as well as creating the demand for more legislative accountability.²⁸⁴

In approaching this effort from an information operations perspective, the following messages should be highlighted to the Palestinian populace to reinforce the legitimacy and sincerity of our support. In our “psychological operations” effort, we should promote equality of all people regardless of ethnicity or religion. We should present the view that Jerusalem belongs to both parties, that the WBG is Palestine, and that this is the best possible solution. We should promote the viability of Palestinian government by highlighting reconstruction, promoting economic prosperity, and reinforcing the civil authority of the PA. We should seek to strengthen the concept that self-determination evolves from stable governments and institutions. On the “negative” campaign -- a counter propaganda effort -- we should attempt to encourage the local media to avoid anti-US messages.²⁸⁵

In sum, we should not lament the perceptions of those across the region if we do not take aggressive and positive steps to counter those perceptions. With appropriate preparations, an information plan, and sufficient investment in broadcast capabilities, while we may not change, we can influence how the West is perceived. We will also improve the likelihood that those in Palestine will accept our contributions as genuine assistance and not yet another attempt to superimpose our goals onto them.

INTERPOSITIONAL FORCE – WE MUST BE READY TO RESPOND

Irrespective of the components of an interim/final peace accord, we must plan now for the requirement to provide the region with an interpositional force. This force might be required to separate combatants, monitor a cease-fire along the terms of a settlement, and serve as an honest broker as inevitable conflicts and differences in interpretation of the agreement occur. Ideally, this force should not solely be a US force. Perceptions already exist—for good reason—that the US is not impartial or unbiased in dealing with its Arab regional partners. As a result, a force composed similarly to the African Crisis Response Initiative (ACRI), forces under the auspices of the Organization for African Unity (OAU), or a NATO-led force is preferable. In addition

to being capable models for both peacemaking and peacekeeping, organizations of this type can also serve to improve legitimacy and garner international support. At the current time, such a force would not be completely welcomed by those in the region (Note: the UNSC voted against the deployment of UN observers to the disputed areas, 19 December 2000). The PA desires an international force to protect Palestinian inhabitants and property. On 22 October 2000, the Arab League;

ask[ed] that the Security Council and General Assembly take charge of providing protection for the Palestinian people under Israel occupation, through discussing forming a force or any international presence for this purpose.... Arab leaders affirm[ed] that a comprehensive and just peace shall not be achieved without the return of Jerusalem to Palestinian sovereignty and without granting the Palestinians legitimate rights including the founding of an independent state with Jerusalem as its capital.²⁸⁶

Israel opposes an "international protection force," stating it would interfere with bilateral negotiations.²⁸⁷

Regardless of its origins, once accepted, the interpositional force must be facilitated to take actions necessary to establish early success. The force would attempt to create security conditions in the area, while building support for legal borders. It would need to enforce/monitor military peace provisions, ensure freedom of movement while protecting transiting populations and the relocation of refugees, would attempt to promote reconciliation through mutual acceptance of national identities, and assist the UNHCR and other international organizations to accomplish their humanitarian missions.²⁸⁸

Given the UN Chapter VII character in which the force could be expected to serve as an interposition force (NATO doctrine), we must anticipate that potentially violent situations, including combat, may occur. To address all likely missions, enable the force to provide necessary administrative and logistics functions, and to provide requisite levels of force protection, we should anticipate the need for a divisional-size force (21,000) consisting of an organic division and corps slice assets.²⁸⁹ The force will need, based on the vast number of available weapons, explosives, and violent history of the conflict, to undertake missions/activities that will reduce the likelihood of future conflict.

At a minimum, the interpositional force will need to preempt and eliminate actions by both combatants. The force must restrain combatants from all offensive operations, defined by the projection of forces or fires forward of their own lines. They must prohibit the emplacement of minefields, obstacles or barriers in any buffer zones, remove those that exist there, and limit patrols or reconnaissance forward of defined lines. The forces will disarm/disband armed civilian groups, except for authorized police forces. The Interpositional Force will need to define its own law enforcement capabilities, and will need to define its responsibilities to protect non-US citizens and property. As it is conducting these functions, the international community will need to create a Joint Military Commission (JMC) to address military complaints and problems and to investigate violations of the separation. Finally, as a confidence-building measure, most Israeli forces will need to be re-positioned into barracks or cantonment areas, and those unable to be accommodated will need to be demobilized.²⁹⁰

For the future, once the peace plan is in effect, and the need for an interpositional force declines, an observer force will need to remain to monitor the development of a lasting peace. In this force, the US can also expect to play a role. This force may be a new independent organization, or could be composed of an enlarged existing body such as the United Nations' Truce Supervision Organization (UNTSO). In this case we would expect the presence of both military and civilian observers, a civilian staff, and a headquarters element.²⁹¹ Budgets already exist for this type of operation. The current force of observers in the Sinai, the Multinational Force and Observers (MFO) is budgeted at \$16.4M.²⁹² Furthermore, the fund for Enhanced International Peacekeeping is allocated \$8M. This fund is utilized elsewhere and could be redirected to the needs of an evolving peace treaty in Palestine. The fund's objectives are; to create foreign nation peacekeeping skills, to develop the capability of local forces to enhance humanitarian response capabilities, and to facilitate the delivery of food and medical assistance.²⁹³

DEPARTMENT OF DEFENSE CONTRIBUTIONS

SECURITY ASSISTANCE

Overall, the Department of Defense programs used to benefit foreign nations are contained within the broad context of Security Assistance (SA). The Foreign Assistance Act (FAA) of 1961, as amended, and the Arms Export Control Act of 1976, as amended, authorize SA. These acts permit the US to provide goods and services to foreign nations to achieve National Security objectives aligned with our National Security Strategy.²⁹⁴ SA consists of a vast array of programs, each with different objectives and different funding categories. The programs, which will be more fully delineated below, provide US resources across a broad spectrum of programs.

Foreign Military Financing (FMF), a \$3.74B overall program, provides US-appropriated funds to foreign governments to acquire US equipment, services and training, while promoting US national security, our regional objectives, enhancing democracy, and to reduce war and conflict. Of 2002 FMF, 93 percent is allocated for Israel, Egypt and Jordan.²⁹⁵ None is allocated for the WBG. The Direct Commercial Sales (DCS) program allows Congressionally-approved direct sales between foreign governments and US companies. The International Military Education and Training (IMET) program provides training to foreign militaries, and security and police forces, while Peacekeeping Operations programs fund peacekeeping training. Economic support is provided through the Economic Support Fund. Funding to limit the spread of conventional weapons and weapons of mass destruction are addressed by the Nonproliferation and Disarmament Fund (NPD).

Other funding mechanisms are available to provide US equipment to foreign armed forces. Lease authorization for US equipment and Excess Defense Article (EDA) transfers provide US equipment at savings of 50-95 percent of the original cost. Since the signing of the 1993 Declaration of Principles, this option has previously been used to provide excess non-lethal equipment (primarily wheeled vehicles) to the Palestinian police force.²⁹⁶ Emergency Drawdown provides Presidentially-approved equipment at no cost to foreign governments (to a ceiling of \$100M per year for equipment and

\$150M per year for articles/services). Third Country Transfers authorize transfer from one equipment recipient to another.²⁹⁷

IMET – WHY ARE WE NOT UTILIZING THIS CAPABILITY?

One of the most influential programs available to the Department of Defense that could be used to influence the development of a strong, democratic Palestine is the International Military Education and Training (IMET) Program. While primarily designed for countries with organized military forces, the objectives of IMET, delineated in its founding document, can easily be transferred to paramilitary, security and police forces such as those which will secure a modern Palestinian state. These objectives, as laid out in the FAA, are: “to encourage mutually beneficial relations and increase understanding of the US to further international peace and security; to improve the ability of foreign countries to utilize their resources, including defense articles and services obtained from the US; and to increase awareness of … basic issues involving … human rights.”²⁹⁸ While the most important component of the IMET rubric is Professional Military Education (PME), the program also supports technical, operator and maintenance training.

Certainly the focus of IMET is to increase the likelihood that those trained will one day be able to influence the development of their country’s policies, and promote US values. But, officially, the program is designed to instill democratic values and human rights in the operations of foreign military and civilian personnel, while exposing participants to US training, methods, organizations, exposure to the American way of life, and support of a civilian-controlled military and security apparatus. The US believes that through this program we enhance support for US policy as trained personnel advance to senior policymaking positions.²⁹⁹ Moreover, due to the train-the-trainer approach of IMET, the benefits gained by the program reach further into societies than solely to those who undergo training.

This resource can be brought to bear in the case of Palestine, even now, before it achieves statehood, as IMET has been provided to another non-state. The Iraq Liberation Act (ILA) authorized provision of IMET-like training primarily for purposes of non-lethal nation building to forces opposing the regime of Saddam Hussein in Iraq.

The ILA provided assistance to facilitate the transition to democracy in Iraq by authorizing military assistance to include military education, and humanitarian assistance. The Department of Defense Drawdown Authority also was authorized to provide non-lethal training and equipment, and to cover course tuition, lodging, and transportation and living expenses. This training is administered through various US organizations. The first, the Defense Resource Management Institute, provides training in military justice, peacekeeping, and appreciation of civilian rule. The Defense Institute of International Legal Studies, formerly the Naval Justice School, provides legal education. Also, the Center for Civil-Military Relations assists in civil-military education and democracy- building.³⁰⁰ The Standardized Training List (STL) for the ILA lists many non-lethal courses provided by Congressional authorization. These courses include: The International Military Law Development Program, Information Systems Technicians Course, Medical Pharmacy Technicians Course, Photo Journalism, Basic Journalism, Medical Supply Specialists, Editor and Public Affairs Officer Courses and Preventive Medicine.³⁰¹ Similar non-threatening courses could be designed for the PA.

While the PA is not programmed to receive any FY2001/02 IMET funding, some of the \$65M overall program could be re-allocated to include Palestine. More significantly, due to the fact that the IMET program may reach \$100M in 2004, it is entirely possible to expand participation of this program in the near future, without limiting participation by current IMET recipients.³⁰²

E-IMET – ANOTHER UNUSED ASSET

Public Law 101-513 created another Department of Defense program, the Expanded International Military Education and Training (E-IMET) Program, to focus on training foreign military and civilian leaders. While initially planned for uniformed members of foreign armed forces, in 1994 members of the legislature and non-government workers such as educators, lawyers and business leaders were authorized to participate in the program. Unlike the IMET program's focus on military-to-military ties, E-IMET seeks to educate officials in the management and administration of military organizations. Instruction focuses on civilian control of the military, improving military justice systems, the role of the free press, minority problems, labor unions, the

promotion of democracy, and adherence to human rights. Training can also be provided in counter-narcotics and maritime law enforcement, especially for nations where a standing military force does not exist.³⁰³

HUMANITARIAN ASSISTANCE

The Department of Defense also addresses programs related to humanitarian assistance (HA). JCS Pub 1-02 defines HA as “Programs conducted to relieve or reduce the results of natural or manmade disasters or other endemic conditions such as human pain, disease, hunger, or privation that might present a serious threat to life or that can result in a great damage to or loss of property.”³⁰⁴

The availability of this program has been nearly overlooked by the US Government for Palestine, and it need not be so. To illustrate this point, an annual study conducted by the National Intelligence Council defines humanitarian emergencies as those resulting from either man-made causes or major natural disasters. Humanitarian emergencies are defined as those where 300,000 civilians require humanitarian assistance to avoid serious malnutrition or death. Man-made causes focus on armed conflict, normally those internal to a country as a result of repressive governmental policy. Irrespective of these definitions, the only mention of the Palestinians in the entire report, despite the current aid requirements, combined with increased need following the influx of returning refugees is in a chart estimating the number of internally displaced refugees and refugee-like situations. They are not specifically addressed as a “Current or Potential Humanitarian Emergencies,” or as a “Situation of Greatest Concern.”³⁰⁵

Under 10 USC section 2547, the Department of Defense is authorized to make available, prepare and transport non-lethal excess defense equipment to foreign governments. Under this program, the US seeks to avert political and humanitarian crisis, promote the development of democracy, enhance regional stability and enable countries to recover from conflict. Equipment that can be provided includes clothing, furniture, medical and school equipment, vehicles, tools and construction equipment. Funds provided to CINCs to execute this program include transportation, maintenance

and costs associated with moving the equipment (via USTRANSCOM) to the recipient country.³⁰⁶

In addition to the generosity and assistance potential of this program, other ancillary programs make this type of assistance even more attractive. Specifically, under 10 USC section 402, the Department of Defense is authorized to utilize space available cargo aircraft to transport HA materials donated by NGOs, International Organizations, and Private Voluntary Organizations for humanitarian relief.³⁰⁷ Through better interagency cooperation, this program could be used to further assist needy Palestinians.

HUMANITARIAN CIVIC ACTION (HCA)

Authorized by 10 USC Section 401, US military forces are authorized to conduct HA projects and activities, in conjunction with military training operations, overseas. For US forces, the deployments maintain forward presence, enhance operational readiness and help Reserve Forces prepare for their wartime mission. Department of State-approved HCA activities, which include medical, dental and veterinary care, rudimentary road construction, well drilling, and construction of basic sanitation and public facilities, could also be made available to improve conditions in the WBG and illustrate US commitment to development and statehood.³⁰⁸

HA-OTHER

10 USC 2561 authorizes the Department of Defense to conduct stand-alone (not in concert with exercises) Overseas Humanitarian, Disaster, and Civic Aid (OHDACA)-funded HA activities. Unlike HCA projects where the project is secondary to the training benefit realized by US forces, in HA-Other projects, the associated humanitarian benefit is the focus of the activity.³⁰⁹

HUMANITARIAN DEMINING

Another area of potential Department of Defense assistance to the Palestinian State is in the area of humanitarian demining (HD). According to the Joint Staff, the goal of HD is to provide training and readiness benefits to US forces while facilitating

CINC security cooperation activities. As an adjunct, HD activities assist nations with landmine problems to establish indigenous, self-sustaining demining programs. CINC participation advances US interests through peacetime engagement, promoting regional stability and promoting economic development.”³¹⁰

Based upon a Department of Defense study of the world’s identified minefields, an unknown challenge may face Palestine in order to eliminate mines and unexploded ordnance (UXOs). The report indicates an unknown land area is affected and an unknown number of land mines and UXOs exist. Moreover, the specific country note (note 41, p. A-57) states that the government of Israel reports that there have been no landmine/UXO casualties within the Green Line (my emphasis) or on the Golan Heights since at least January 1, 2000. De-miners have cleared minefields within the Green Line (my emphasis) and minefields on the Golan Heights are clearly marked. The exclusion of any comment on the West Bank and Gaza, and the failure to address these areas in any other part of the report, seems to strongly imply the threat of a mine problem within the WBG. Additionally, the Jordan demining program in the vicinity of the northern end of the Dead Sea and the Israeli-laid minefields in the vicinity of the Araba Valley (SW Jordan) may “revert” to being located within a new Palestinian State.³¹¹

The existing budget for demining, which already includes \$900K for Jordan, is \$40M. The New Country Program allocation of \$1.2M could easily fund initial demining efforts in Palestine.³¹²

PEACEKEEPING

While the actual conduct of peacekeeping (PK) or an interpositional force is previously discussed, the current availability of PK funding is delineated here. The Department of State considers that PK is often required to separate combatants, maintain peace, create conditions to support the delivery of humanitarian relief, repatriate refugees and encourage democratic elections. Assistance can reduce the likelihood of renewed conflict, encourage the growth of markets, contain humanitarian emergencies and limit refugee movement. PK funding totals \$150M. Regionally this

includes funding of \$8M for the Multinational Force and Observers (MFO) in the Sinai, the organization that monitors the Israeli/Egyptian border.³¹³

NON-PROLIFERATION, ANTI-TERRORISM, DEMINING, AND RELATED PROJECTS

Another funding source, which is designated for Non-proliferation, Anti-terrorism, Demining, and Related (NADR) projects, is a \$40M Department of State program. To deal with weapons proliferation, it provides grant awards to NGOs and IMET funding through Defense Security Cooperation Agency (DSCA).³¹⁴ These monies too, could help the Palestinian State to assist with our ongoing effort against terrorism.

CONCLUSION

As I hope has been obvious throughout this paper, I feel that someday, sooner rather than later, a Palestinian State will exist in the Middle East, with East Jerusalem as its capital. This state will accept Israel as a legitimate state, and both sides will agree to limit violence between one other. While crises will occur, thought now on how to address them, and more importantly how potentially to avoid them, is critical. Crisis response need not be, in fact should not be, primarily military. We must consider the recommendations presented in this paper as a means to produce a state able to meet the expectations of the Palestinian population. This effort will neither be easy, free of political risk, or inexpensive.

To address the overwhelming requirements of this new state, the US will need to increase funding to encourage interagency coordination and the funding for international agency efforts such as the United Nations. Practical solutions will create the desire for peace. What is needed is not a dominant public US political role, but practical approaches to better the lives of the Palestinians, to reduce the incentive for them to pursue violence against Israel. We will need to assist in improvement of education to provide skills and increase the likelihood of employment abroad. The closure of some outlying settlements, to remove the irritant of Israeli presence and the withdrawal of the IDF will go a long way to improving peaceful conditions. We will need to create responsive governmental institutions and a supportive infrastructure to ensure the basic needs of society can be addressed. Failing to do so will only encourage alternative,

potentially more violent-prone, political movements. As important as is the improvement of the infrastructure and quality of life, perhaps our one greatest challenge is to develop in the Palestinians the belief, through political empowerment, that they have, finally, the capacity to effect and shape their future.

Perhaps most important of all, the US will need to appoint a dedicated country-team to simplify the command and control process and to focus US efforts. We must establish a stand-alone country team to synchronize efforts, eliminate redundancy, and serve as a focal point for outside agencies to offer support and contributions.

After nearly 50 years of supporting Israeli -- much of the time at the expense of Palestinian refugees within both the territories and in the Diaspora -- it is time we did what is right in their regard. If we fail to create a solid social structure, capable of addressing the needs of society, and secure borders to reduce the likelihood of cross-border flows of ill-focused groups, we should not be surprised if violent, terrorists groups attempt to enter Palestine and set up operations. The groups, as a way to gain legitimacy and increase membership, may exploit inadequate social structures.

But, it is not enough to assume that the creation of a vibrant and viable Palestine will eliminate Middle East conflict. As the parties move closer to a durable peace plan, the PA must gain support for any peace plan from all Palestinians and the Arab world as a whole. To many Arabs, the Israeli-Arab conflict will never be able to be solved until the Israeli-Palestinian conflict is solved to the satisfaction of the Palestinians. Only then can an Israeli-Palestinian solution lead to an Israeli-Arab solution. Only by accepting an agreement will the Palestinians indicate that it is acceptable for other Arab nations to normalize relations with Israel. A viable solution and the establishment of a Palestinian state can help to remove a long historical issue from the "necessary" concerns of regional regimes. No longer forced to publicly support a Palestinian state, for fear of their own legitimacy, states will be free to pursue their own relations with Israel. Cross-regional development, improved prosperity, and the development of open, Islamic-democratic governments can soon follow. Alternatively, by settling on peace, the Palestinians can encourage other Arab countries to choose between their own peace agreement, or to continue support for hostilities against Israel on their own terms. They

will no longer be able to claim to be doing so in support of or to benefit the Palestinians.³¹⁵

Occurring simultaneously with our focused efforts to facilitate the development of Palestinian society, we must pressure our regional allies -- much as we have done in the war on terrorism -- to join a coalition in support of Middle East peace. As such, we must inform them that we can no longer accept that our Arab friends publicly make statements that encourage violence and terror across the region.

For all of us, the future is unknowable. But, there will be a Palestinian State.

The future political status of a Palestinian entity, the extent and nature of its physical borders, the nature of trade and tax regimes, mobility and access issues, the sharing of regional water supplies, and demographic changes related to the peace process will all have profound effects on the potential for, and character of, future growth. For both Palestinian economic policy-makers and donors alike, the current period poses the difficult challenge of preparing for an unknowable future.³¹⁶

The Israelis themselves, including current hard line Prime Minister Ariel Sharon, realizes the inevitability. Sharon himself recently stated, "Israel is committed to peace.... And at the end of the process, I believe that the Palestinian State, of course, will be -- we'll see a Palestinian state."³¹⁷

Perhaps in the crudest sort of irony, the Palestinians should trust in a Jew, and have confidence in the words of Theodore Herzl and believe, once and for all, "If you will it, it is not a fairytale."³¹⁸ If we choose to do otherwise, and are willing to accept the status quo, then the history of the wars between Israel and the Arabs and the period of no-peace-no war will again illustrate that across time conditions will deteriorate if improvement is not made.³¹⁹

Word Count = 33879

ENDNOTES

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⁶ U.S. President, A National Security Strategy for a Global Age, William J. Clinton (Washington: The White House, December 2000), iii.

⁷ Ibid., 3.

⁸ Ibid., 36.

⁹ Ibid., 38.

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¹¹ U.S. President, A National Security Strategy for a Global Age, 35.

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¹⁴ DoD, United States Security Strategy for the Middle East, 7.

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²⁰ The development of democratic-like functions by social organizations is more fully described in *ibid.*, 251.

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²⁴ Secretary Madeline Albright as quoted in *ibid.*, 103.

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²⁶ President Clinton as quoted in *ibid.*, 104.

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⁴⁶ The Articles of the Basic Law are summarized from the delineation outlined in *ibid.*, 32, and Schenke, 28.

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²⁴¹ The positions of the UN and the Zionist Congress are paraphrased from Walid Khalidi, Special Report: The Ownership of the US Embassy Site in Jerusalem (Georgetown: The Institute for Palestinian Studies, 2000), 5-6.

²⁴² The Basic law as quoted by Rubin, The Transformation of Palestinian Politics, 36.

²⁴³ The position of the Vatican as quoted by EIU, Israel/Palestinian Territories, 71.

²⁴⁴ The US intent to open two facilities is summarized by Khalidi, Special Report, 7.

²⁴⁵ The punitive aspects of the Helms act can be found in *ibid.*, 8.

²⁴⁶ The cost of the lease is described in *ibid.*, 7.

²⁴⁷ The inclusion of the embassy property in waqf endowments is offered in *ibid.*, 8.

²⁴⁸ "Clinton's Farewell to the Middle East," Report on Israeli Settlement in the Occupied Territories, Volume 11, Number 1 (Washington, DC: Foundation for Middle East Peace (January-February 2001)): 3.

²⁴⁹ The need to maintain Jerusalem open to all religions and groups is outlined by Khalidi, "Thinking the Unthinkable," 706

²⁵⁰ The economic and social benefits for an East Jerusalem Palestinian capital is a summary from *ibid.*, 710.

²⁵¹ The inability for 'Arafat to seek an all-Arab agreement is proposed by Dayan.

²⁵² Turki A. Al-Saud, "After the Arabian Gulf War: The Arab Perspective on Continuing Threats to Middle East Stability," Strategy Research Project (Carlisle Barracks: U.S. Army War College, April 1999), 21-22.

²⁵³ The Dayan proposals are summarized from Arthur Hertzberg, "A Small Peace for the Middle East," Foreign Affairs, Vol. 80. No. 1 (January/February 2001): 144.

²⁵⁴ The results of the Camp David '00 negotiations are fully described in EIU, Israel/Palestinian Territories, 71, and Malley, "Fictions About the Failure At Camp David," 11.

²⁵⁵ Shared sovereignty is proposed by Faisal Husseini, "Adopt the Power of Logic, not the Logic of Power," Middle East Insight (Washington, DC: September-October 2001), 21.

²⁵⁶ Current ownership of the future US embassy site is detailed by Khalidi, Special Report, 16-18.

²⁵⁷ The effect of US occupation of the proposed site is a summary from *ibid.*, 20.

²⁵⁸ The ability for the embassy to improve its advocacy of US policy is developed by Lawrence S. Eagleburger and Robert L. Berry, "Dollars and Sense Diplomacy: A Better Foreign Policy for Less Money," Foreign Affairs, 75 no. 4 (July/August 1996), 6.

²⁵⁹ Area water resources are outlined in Jon E. Chicky, et. al., Water Knows No Boundaries, Environmental Security and Theater Engagement Planning (Norfolk, VA: Joint Forces Staff College, 9 March 2001), 4-5.

²⁶⁰ The Anglo-French and Johnson plans are discussed in more detail in Sharif Elmusa, "Negotiating Water: Israel and the Palestinians," Institute For Palestine Studies (January, 1996), 10-11.

²⁶¹ The international norms for determining water allocation is provided in *ibid.*, 24.

²⁶² Overall regional shortages are summarized from Arnon Soffer, Rivers of Fire: The Conflict Over Water in the Middle East (Lanham, Maryland: Rowman and Littlefield, 1999), 246.

²⁶³ The result of the 1967 War in terms of Israel's water sources is discussed in Elmusa, 12 and Soffer, 141.

²⁶⁴ The water fears of the Israelis are presented by Soffer, 191.

²⁶⁵ Potential Israeli costs of replacing West Bank water are paraphrased from Thomas R. Stauffer, Water and War in the Middle East: The Hydraulic Parameters of Conflict (Washington, DC: The Center for Policy Analysis on Palestine, July 1996), 12.

²⁶⁶ Palestinian consumption figures are provided in Economist Intelligence Unit, Israel/Palestinian Territories – Country Profile 2001, 75 and US Department of State, Congressional Budget Justification, 341-2.

²⁶⁷ Israeli consumption figures have been paraphrased from Soffer, 141-143.

²⁶⁸ Elmusa, 32, summarizes the water components of Palestinian-Israeli agreements.

²⁶⁹ USAID water projects are discussed in USAID West Bank and Gaza, Economic Growth Activities, and USAID West Bank and Gaza, Water Resources. Accessed at http://www.usaid.gov/wbg/program_water.htm on 13 November 2001.

²⁷⁰ The value of redirected water projects is discussed by US Department of State, Congressional Budget Justification, 341-2, Economist Intelligence Unit, Israel/Palestinian Territories, 76, and the Economist Intelligence Unit, Israel and the Palestinian Territories, 60.

²⁷¹ The concept of reducing water consumption by altering Israeli agriculture is proposed by Stauffer, 17 and Elmusa, 19.

²⁷² The ability to increase water supply is a summary from Soffer, 236 and 254.

²⁷³ Potential projects for increasing available water are more fully outlined by Clawson, 67 and Soffer, 240-1.

²⁷⁴ Other cost prohibitive projects are described by Stauffer, 15.

²⁷⁵ USCG and USMC training contributions to water management are offered by Chicky, A-3.

²⁷⁶ The ability to conduct ERC, HA and HCA projects to improve water availability can be found in ibid., A-2.

²⁷⁷ US agencies which could contribute to water management are delineated in ibid., A-4/5 and Kuhr, 10-13.

²⁷⁸ The need for a joint management regime is offered in Elmusa, 26 and Soffer, 191.

²⁷⁹ The provision of Israeli water to its neighbors and the counter demand for environmental protection is a summary from Soffer, 200 and 252.

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²⁸⁶ The Arab League position as quoted by Cordesman, 12.

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²⁹¹ The composition of UNTSO is delineated in *ibid.*

²⁹² The budget of the MFO is paraphrased from US Department of State, Congressional Budget Justification, 351.

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